98TH CONGRESS
2d Session
HOUSE OF REPRESENTATIVES
REPORT
98-664

ASSET VERIFICATION AND OTHER IMPROVEMENTS IN AFDC AND SSI PROGRAMS

APRIL 9, 1984.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. ROSTENKOWSKI, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 5362]

[Including the cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 5362) to amend the Internal Revenue Code of 1954, title XVI of the Social Security Act, and part A of title IV of such Act to improve asset verification for benefits under the supplemental security income and aid to families with dependent children programs and to make other improvements in such programs, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments (stated in terms of the page and line numbers of the introduced bill) are as follows:

Page 2, line 5, after "ACT" insert "; VERIFICATION AND USE OF INFORMATION".

Page 5, line 12, after "VERIFICATION" insert "AND USE".

Page 5, line 16, strike out "VERIFICATION" and insert in lieu thereof " 'VERIFICATION AND USE".

Page 5, line 18, after "1130." insert "(a)".

Page 5, line 22, strike out "609" and insert in lieu thereof "6103".

Page 6, line 10, strike out the quotation marks and final period.

Page 6, line 10, insert the following new subsection:

> "(b) Each State agency charged with the administration of a State plan approved under part A of title IV, each State agency charged with the administration of a State plan approved under title I, X, XIV, or XVI, and the Secretary with respect to the supplemental security income pro-

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gram under title XVI of this Act, shall request and use any information obtained from the Secretary of the Treasury under section 6103(1)(9) of the Internal Revenue Code of 1954 for purposes of income and eligibility verification in accordance with subsection (a); and the use of such information shall be targeted to those uses which are most likely to be productive in identifying and preventing ineligibility and incorrect payments.

Page 7, line 9, strike out the comma after "$1,700".
Page 7, after line 12, insert the following new subsection:

(d) Section 1621(b)(2)(B) of such Act is amended—

(1) by striking out "$1,500" and inserting in lieu thereof "the applicable amount determined under section 1611(a)(3)(B)"; and

(2) by striking out "$2,250" and inserting in lieu thereof "the applicable amount determined under section 1611(a)(3)(A)".

Page 9, line 5, strike out "during such period".
Page 9, lines 12 through 14, strike out:

or for which such individual (and spouse if any) would have been eligible for such months but for such resources.

Page 11, line 21, strike out "(I)" and insert in lieu thereof "(II)".
Page 11, line 25, strike out "(I)" and insert in lieu thereof "(II)".
Page 12, line 14, strike out "(8)(B)(i)(II)" and insert in lieu thereof "(8)(B)(ii)(II)".
Page 12, line 17, strike out "$25" and insert in lieu thereof "$10".
Page 13, line 8, insert "(1)" after "(c)".
Page 13, after line 10, insert the following new subsection:

(2) Such amendments shall apply with respect to familes which ceased to receive aid under the applicable State plan (for the reason stated in section 402(a)(37) of the Social Security Act as added by Subsection (a) of this section) before October 1, 1984, as well as with respect to families which cease to receive such aid (for that reason) on or after that date; but any family which ceased to receive such aid before that date (in order to be eligible to receive the monthly work transition allowances provided for in such section 402(a)(37)) must be a family that would be eligible for aid under the State plan (without regard to the amendments made by this section) if section 402(a)(8)(A)(iv) of such Act applied and must make its application for such work transition allowances no later than October 1, 1985 (and in the case of any such family the term "last month for which the family received such aid" as used in such section 402(a)(37) means the month before the month in which the family makes such application.)

Page 13, line 6, strike out "the gross income to be".
Page 15, line 2, strike out "402(a)(8)(E)" and insert in lieu thereof "402(a)(8)(A)(iii)".
Page 15, line 7, strike out the first period.

Page 16, line 20, strike out "paragraph (36)" and insert in lieu thereof "paragraph (37), as added by section 304(a) of this Act".

Page 17, line 2, strike out "1974" and insert in lieu thereof "1977".

Page 18, line 4, strike out "1135," and insert in lieu thereof "1136.".

Page 20, line 24, strike out the words between "that" and "each" and insert in lieu thereof "would be served by".

Page 28, line 10, strike out "1974" and insert in lieu thereof "1977".

Page 34, line 8, after "thereof" insert "(after the new subsection added by section 304(b) of this Act)".

Page 34, line 10, strike out "(h)" and insert in lieu thereof "(i)".

Page 34, lines 19 through 21, strike out:

> or for which such family would have been eligible for such months but for such resources.

Page 38, after line 25, add the following new sections:

AFDC GRANT DIVERSION PROGRAM

SEC. 322. Part A of title IV of the Social Security Act is amended by adding at the end thereof the following new section:

"GRANT DIVERSION PROGRAM

"SEC. 416. (a) It is the purpose of this section to allow any State which has a plan approved under this part to institute a grant diversion program under which the State, to the extent the State determines it to be appropriate, may make employment (including on-the-job training) available as an alternative to aid otherwise provided under the State plan.

"(b)(1) Notwithstanding any other provision of this title, Federal funds may be paid to a State under section 403, subject to the provisions of this section, with respect to expenditures incurred in operating a grant diversion program under this section.

"(2) Nothing in this part or part C, or in any State plan approved under this part, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate, whether or not such terms, conditions, and cases are consistent with section 402(a)(19) or part C) a grant diversion program in accordance with this section; and participation by an individual in such a program shall be deemed to satisfy all of the requirements of section 402(a)(19) and part C which are otherwise applicable to such individual.

"(3) Notwithstanding section 402(a)(1), a State operating a grant diversion program under this section may operate such program in any or all political subdivisions of the State.

"(4) Notwithstanding section 402(a)(8) or any other provision of law, a State operating a grant diversion program under this section may apply subparagraph (A)(iv) of such section with respect to any individual participating in such program (whether or not subparagraph (B)(ii)(II) of such section would otherwise prevent the application of such subparagraph (A)(iv) during the period of such individual's participation in the program).

"(c)(1) In operating a grant diversion program under this section a State shall—

"(A) enter into contracts with public or private employers in the State under which such employers will provide employment (in the form of on-the-job training or otherwise) for eligible individuals over a period (in the case of any one such individual) of up to 9 months; and

"(B) pay to each such employer with respect to each individual so employed an amount equal to the lesser of (i) the maximum amount that could have been paid directly to such individual or the family of which he or she is a member as aid to families with dependent children under the State plan, at the time of his or her initial placement in a job under the program, if such individual or family had no income, or (ii) 50 percent of the wages paid to such individual for his or her employment under the program.

The determination of the particular employers and job positions to be included in the program shall be entirely within the discretion of the State.

"(2) For purposes of this section, an indivdual is an 'eligible individual' if he or she is eligible to receive aid under the State plan (without regard to this section) at the time of his or her initial placement in a job under the program.

"(d) Payments by a State to employers under the program shall be considered amounts expended as aid to families with dependent children under the State plan for purposes of section 403(a).

"(e)(1) Any employer participating in the program under this section shall afford employee status to all eligible individuals to whom such employer provides job positions under such program; but nothing in this section shall be construed as requiring the State or local agency administering the grant diversion program to provide employee status to any participant unless such State or local agency is the employer of such participant.

"(2) Wages paid under a grant diversion program under this section shall be considered to be earned income for purposes of any provision of law.

"(f) Any State which chooses to operate a grant diversion program under this section shall provide that any individual who participates in such program, and any child or relative of such individual (or other individual living in the same household as such individual) who would be eligible for aid under the State plan approved under this part,

shall be considered to be receiving aid under the State plan approved under this part for purposes of eligibility for medical assistance under the State's plan approved under title XIX.".

PERMANENT EXTENSION OF PROVISIONS FOR DISREGARDING IN-KIND ASSISTANCE

SEC. 323. (a) Section 545 of the Surface Transportation Assistance Act of 1982 is amended—

(1) by striking out "and prior to July 1, 1985" in subsection (c); and

(2) by striking out ", including" and all that follows in subsection (d) and inserting in lieu thereof a period.

(b) Section 404(c) of the Social Security Amendments of 1983 is amended by striking out "and end before October 1, 1984".

Page 39, line 2, strike out "322." and insert in lieu thereof "324.".

I. PURPOSE AND SCOPE

The bill amends the Internal Revenue Code and the Social Security Act to: improve the method of verifying the amount of assets owned by applicants and recipients of the Supplementary Security Income (SSI) program and Aid to Families With Dependent Children (AFDC) program; promote compatibility among human service programs by conforming program definitions, budgeting procedures and eligibility requirements; encourage cost effective management in the AFDC program; target and define work incentives in the AFDC program; and make technical improvements in the AFDC program that promote administrative efficiency.

II. SUMMARY OF PRINCIPAL PROVISIONS

1. *Facilitate identification of financial assets of SSI and AFDC applicants and recipients.*—IRS would be permitted to share tax information pertaining to unearned income of SSI and AFDC recipients. Independent verification would be required.

2. *Update the SSI Countable resource limit.*—the limit would rise by $100 per year over the next five years from $1,500 for an individual to $2,000 and by $150 per year over that period from $2,250 for a couple to $3,000.

3. *Establish more flexible guidelines for recovery of overpayments and treatment of retroactive benefits.*—recovery would be limited to the lesser of the SSI payment or 10 percent of income; there would be limits on the amount of the overpayent that could be collected in AFDC and SSI; and the value of retroactive SSI or OASDI checks would be excluded from the resource limit for 12 months.

4. *Apply the food stamp program's gross income limit of 130 percent of proverty in the AFDC program.*—This would replace the current limit of 150 percent of the State standard of need.

5. *Exclude burial plots, funeral agreements and certain property from countable AFDC resources.*

6. *Permit "one stop" human service delivery demonstrations.*

7. *Optional AFDC monthly reporting and retrospective budeting.*

8. *Temporarily postpone payment of AFDC fiscal sanctions.*—the provision would delay, until fiscal year 1986, State payment of any fiscal penalties resulting from quality control reviews.

9. *Assure working AFDC families of continued health coverage.*—States would be required to: disregard the first $75 of gross earnings for full- and part-time workers (This would also clarity that the deduction is taken on gross income); remove the 4-month limit on the $30 deduction (retain the current law limit on the ⅓ incentive); and create a work transition status—a $10 AFDC check for 9 months (with State option for 6 more months)—for AFDC recipients who lose AFDC due to the end of the earnings disregard.

10. *Disregard the earned income tax credit (EITC) in determining AFDC eligibility and benefit level.*

11. *Reimburse all necessary community work experience program (workfare) expenses.*

12. *Grant diversion program.*—at State option, a State may create a grant diversion program which would encourage States to develop cost-effective employment programs.

13. *Permanent extension of the disregard of emergency and other in-kind assistance in AFDC and SSI.*

III. General Discussion and Explanation of Provisions

Disclosure of certain tax return information to federal, state, or local agencies administering certain programs under the social security act (sections 101 and 102)

Present law

Under present law, Supplemental Security Income (SSI) eligibility is restricted to qualified persons who have countable assets of less than $1,500, or less than $2,250 in the case of married couples. In determining assets, a number of items are not included, such as the individual's home; life insurance policies with a total face value of $1,550 or less; and, within reasonable limits set by the Secretary of Health and Human Services, household goods, personal effects, an automobile and a burial plot. In addition, as an alternative to the life insurance exclusion, current law allows for the exclusion of up to $1,500 of separately identifiable funds set aside for burial expenses.

Social Security Administration (SSA) claims representatives interview applicants to determine if they ar eligible for the SSI program. The representatives request documentation from applicants concerning their age, marital status, income, living arrangements, types of resources owned, and the value of these resources. If applicants are eligible for the program, the representatives are required to reevaluate their resources and other eligibility factors periodically thereafter.

In the most recent period for which SSI quality assurance findings are available, 4.8 percent of the SSI payments were in error. The largest single source of errors in the SSI program is payments made to individuals who had countable resources in the form of bank accounts which exceeded the countable resources limits. In a recent period, 22 percent of all SSI excess dollar payment errors

were caused by excess bank accounts. This was 16 percent of the number of cases of excess payment errors.

Many of the overpayments made through the SSI program occur because the SSA claims representatives are unable to establish ownership of bank accounts for those SSI applicants and recipients through responses to interview questions.

SSA's attempts, through improved interviews and investigative procedures, to identify bank accounts owned by applicants and recipients have been only marginally successful. One reason cited for SSA's limited success is that in any sizeable city with numerous banks, it is difficult to determine which bank has an applicant's or recipient's account.

Generally, the Internal Revenue Code of 1954 (the Code) provides that a person engaged in a trade or business, such as a financial institution or corporation, must file an information return (e.g., Form 1099) with the Internal Revenue Service (IRS) with respect to certain payments to other persons (see Code section 6041 et seq.). These information returns are considered tax return information and, as such, are subject to the confidentiality requirements of section 6103 of the Code.

Code section 6103 limits the disclosure of returns and return information. Returns and return information are confidential and may be disclosed only as specifically provided in the Code. Disclosure of return information relating to self-employment, wage, and payments of retirement income may be made by the Commissioner of Social Security to the Department of Agriculture and State food stamp agencies only for the purpose of verifying eligibility for food stamps. Disclosure of other types of information or returns by the IRS or the Commissioner of Social Security for the purpose of verifying food stamp eligibility is prohibited. Also, disclosure of any return or return information by the IRS or the Commissioner of Social Security for the purpose of verifying eligibility for any other means-tested Federal benefits program is also prohibited.

Unauthorized disclosure is a felony punishable by a fine not exceeding $5,000 or imprisonment of not more than 5 years, or both, under Code section 7213. An action for civil damages can also be brought for unauthorized disclosure under Code section 7431.

Explanation of provision

This provision would authorize the IRS to disclose, upon written request, return information with respect to unearned income, including its nature and source, from its computerized files to any officer or employee of Federal, State or local agencies administering certain federal programs. Those programs are Aid to Families with Dependent Children, Supplemental Security Income, Medicaid, Food Stamps and the cash assistance programs administered in Puerto Rico, Guam and the Virgin Islands. This information could only be disclosed for purposes of, and to the extent necessary in, determining an individual's eligibility for benefits, or the correct amount of an individual's benefits, under these programs. The present law requirements of maintaining a system of standardized requests for information and reasons for the request, and of maintaining strict security against release of the information are also made applicable to the Federal, State, and local agencies receiving

information under this provision. Any unauthorized disclosure of return information by an employee of one of these agencies will be subject to the civil action provided by present law. In addition, unauthorized disclosure subjects that employee to fine and imprisonment provided by present law.

In order to protect applicants and recipients of these needs-based programs from improper usage of this information, the Federal or State agency which receives this information cannot take action based upon the IRS information to reduce, suspend, terminate, or deny benefits until it has independently verified the information. Verification must include: (1) information of the exact amount of the asset or income involved; (2) an evaluation of whether the individual actually has access to the funds for his or her own use; and (3) a determination regarding the time frame involved with regard to when the individual actually had the funds in question.

The information to be provided to these agencies will be useful in identifying the possible existence of bank accounts and other assets held by applicants and recipients for these programs and should reduce the amount of administrative time in determining where an individual may have a bank account or other assets. The Committee recognizes that information returns are filed with IRS in the year following the year to which the information relates. Therefore, the information disclosed may not reflect the current financial status of a program applicant or recipient. In addition, the information contained in such returns filed with IRS may contain errors. For example, some recipients may be listed on a bank account as a matter of convenience, and, in fact, have no interest in or access to the account for their own needs. This is particularly common with elderly and disabled individuals who will ask another relative to place his/her name on the account in order to assure that there will be access to the funds if the elderly person is too ill or otherwise incapable of getting to the bank. The Committee intends, therefore, that this information be used primarily to locate the financial institution where the individual has an account, and not, by itself, be used to terminate or deny benefits.

Effective date

The provision is effective on October 1, 1984. The Committee recognizes, however, that disclosure of the information may not begin immediately on October 1, 1984, in that recipients of the information must establish the safeguards required to assure confidentiality of the information and the Secretary of the Treasury must approve the safeguards.

UPDATE OF SSI COUNTABLE RESOURCES LIMIT (SECTION 201)

Present law

SSI eligibility is restricted to qualified persons who have counted assets of less than $1,500, or less than $2,250 in the case of married couples. In determining assets, a number of itmes are not included, such as the individual's home; life insurance policies with a total face value of $1,500 or less; and, within reasonable limits set by the Secretary of Health and Human Services, household goods, personal effects and an automobile. Regulations place a limit of $2,000 in

equity value on excluded household goods and personal effects and exclude the first $4,500 in current market value of an automobile (100 percent of the automobile's value if it is used for medical treatment or employment or has been modified for use by a handicapped person). Assets, tools and other property essential to self-support of the blind or the disabled are also excluded.

In 1982, a provision was added to also exclude from counted resources the value of burial plots. In addition, to provide SSI applicants and recipients an alternative to the life insurance exclusion previously described, the 1982 amendment allows for the exclusion of up to $1,500 of separately identifiable funds set aside for burial expenses.

Explanation of the provision

This provision would increase the countable resources limit beginning in 1985 by $100 per year over the next five years in the case of resources owned by single individuals and by $150 per year over the next five years in the case of resources owned by married couples. This will have the effect of increasing the resources limit for individuals from $1,500 to $2,000 and for married couples from $2,250 to $3,000.

LIMITATION OF RECOUPMENT RATE IN CASE OF OVERPAYMENTS (SECTION 202)

Present law

The SSI statute authorizes the Secretary of HHS to recover SSI overpayments by adjusting future payments, or by recovery from the recipient. Overpayments may be waived if the individual is without fault and if recovery would defeat the purpose of the program, or be against equity or good conscience, or the amount to be recovered is so small as to impede efficient or effective administration.

Several administrative initiatives have been taken by SSA to increase recoupments. For example, operating instructions have been revised to replace the previous policy of withholding no more than 25 percent of a monthly check with a policy of withholding 100 percent of subsequent checks until the overpayment is recouped.

This policy has been a source of major concern to SSI recipients who oftentimes have been overpaid in some previous month through no fault of their own. The following is an excerpt from the notice which is sent to SSI recipients who have been overpaid and from whom the Social Security Administration is attempting to recover the overpayment:

> We have determined that you received $ more in supplemental security income payments than you were due.
>
> Please refund the overpayment of $ immediately. Make your check or money order payable to the Social Security Administration, social security number , and mail it in the enclosed envelope.
>
> If within 30 days you do not refund the full amount or if we do not hear from you, we will withhold your monthly

payment beginning to recover your overpayment. (Please get in touch with this office if you disagree with the proposed rate of repayment.)

The Social Security Administration's current practice where there has been overpayment, is to send a notice to the individual that the amount of the overpayment would be taken out of the recipient's next SSI benefit check. In some cases that means that the entire SSI check will be withheld. While the notice indicates that individuals can come into the Social Security Office if they do not agree with the repayment schedule, the impact of facing a month without income by the elderly and disabled who have no other source of income can be devastating.

EXPLANATION OF THE PROVISION

This section provides that in cases not involving fraud, willful misrepresentation or concealment of material information, the Social Security Administration would not be allowed to recoup from SSI recipients who have been overpaid, an amount which would result in decreasing their income for a month by more than 10 percent, but by no more than the amount of their SSI benefit.

Since the SSI program is based on need, the amount that a recipient can afford to surrender in a month is usually very limited. The proposal limits the amount deducted for overpayments to the lesser of 10 percent of the recipients total monthly income or the amount of the SSI benefit check. In the case of an individual with no other income and in a state without state supplementation of the Federal SSI benefit standard ($314), the maximum amount deducted would be $31 in any one month.

In the case of an overpayment where fraud, willful misrepresentation or concealment of material information has been proven, the more flexible guidelines for recovery of overpayment and treatment or retroactive benefits do not apply. Fraud occurs only in a small portion of SSA's caseload each year. Fault does not equate with intent to defraud. Technically under SSA regulations a person is at fault in causing an overpayment if for some reason he or she forgets to report or is late in reporting. The SSI population as a group is disadvantaged both physically and educationally. While many in this group are "at fault" in causing the overpayment, the necessary intent to defraud is not present.

As mentioned earlier, the statute provides that waiver of an overpayment is appropriate under certain circumstances. Waiver is appropriate where the person was not at fault in creating the overpayment and it would either defeat the purposes of the Act or be against equity and good conscience to require repayment. Nothing in this section modifies that requirement. In particular, the Committee's determination that a ceiling of 10 percent is appropriate should not be interpreted to mean that if the overpayment is to be collected at a 10 percent or less rate that would not be against equity and good conscience or defeat the purposes of the Act.

DETERMINATION OF OVERPAYMENT AMOUNTS WHEN RECIPIENT'S COUNTABLE ASSETS EXCEED LIMITS (SECTION 203)

Present law

Under present law, if an SSI recipient's resources exceed the $1,500 individual or $2,250 couple resources limit in a previous month, any benefits that were paid to the individual, couple or family in that month is an overpayment and subject to recoupment. If at the time that the error is found the individual is still over the assets limit, they are no longer eligible for benefits. On the other hand, if the individual's resources have dropped below the allowable limits they remain eligible for SSI but may be subject to having their benefits reduced to recover the overpayments from the previous months.

Under present law, the amount of the overpayment in a month does not vary if the recipient is over the assets limit by, for example, $10 or $1,000. In both cases the amount of the overpayment subject to recoupment is the total amount of the benefit payment in that month. For example, in a specific case in New York State in 1982 an individual was assessed an overpayment of $889 for a three month period in which her excess resources were four cents.

Claims representatives dealing with SSI cases have estimated that at least 50 percent of the cases of excess resources involves exceeding the $1,500 and $2,250 limits by less than $100 and in most of those cases the excess is from interest accrued on a bank account that was previously below the allowable limits.

Explanation of the provision

This section provides that in determining the amount of the overpayment when an AFDC or SSI recipient's assets exceed the countable assets limits, that the aggregate amount of the overpayment for any period of one or more consecutive months shall be the lesser of (1) the total amount of the benefits the individual received or for which the individual would have been eligible for such month or consecutive months but for such resources or (2) the greatest amount by which the total value of the resources of the recipient exceeded the assets limit at any time during such period.

For example, an SSI recipient with no other income may, because of interest earned, have $1,150 in a savings account for two months. The $10 excess would result in a $314 overpayment for each month. This is a penalty far exceeding the seriousness of the infraction of the eligibility rules. This provision would limit the overpayment charged against the individual to $10.

EXCLUSION OF UNDERPAYMENTS FROM RESOURCES (SECTION 204)

Present law

Under current regulations, the Social Security Administration allows an individual 4 months to spend down their resources when they receive retroactive benefit checks. Some SSI recipients have not been aware that such retroactive benefits left in a bank account will make them ineligible for benefits if they exceed the $1,500 or $2,250 resources limits after 4 months. This provision not only requires that recipients be allowed up to 12 months before

such benefits are counted as a resource but also requires that the Social Security Administration clearly notify recipients when they receive such retroactive checks that the requirements are related to spending down their resources in order to remain eligible for SSI.

Explanation of the provision

This provision excludes from being counted as a resource for SSI eligibility purposes for 12 months the value of retroactive SSI or social security checks received by an SSI recipient.

GROSS INCOME LIMITATION (SECTION 301)

Present law

The Omnibus Budget Reconciliation Act of 1981 established a gross income limit for the AFDC program: States are now prohibited from paying AFDC to any family with a gross income (i.e. income, including earnings, without the application of any earned income disregards) above 150 percent of the State's standard of need. The standard of need is set by each State, is adjusted for family size, and is the amount the State determines is needed for subsistence. However, because the standard of need is not automatically adjusted for inflation, it can understate actual need in a State.

Explanation of provision

The bill would repeal the gross income limitation which prohibits AFDC eligibility by any family with a gross income above 150 percent of the State standard of need and in its place set a gross income limit of 130 percent for poverty, updated annually. For 1982, the poverty level for a family of three was equal to $8,220 annually; 130 percent of the poverty level would equal $10,686 which means that, under this policy, a three person family with income in excess of $10,686 would have been ineligible for AFDC.

In States with particularly low standards of need, the 150 percent limitation can result in the loss of AFDC, and Medicaid, for families in which the parent is working only part-time in a minimum wage job. For example, in South Carolina the monthly gross income limit for a family of 3 is $281, which is the equivalent of working 21 hours per week at the minimum wage. Families that earn more than $281 per month are automatically ineligible for AFDC, yet the annual earnings of this family are equal to 40 percent of poverty.

Using 130 percent of poverty as the gross income limit is more equitable; it holds families in similar circumstances but in different States to the same gross income standards. For example, a family of 3 in South Carolina is ineligible for AFDC if their monthly income exceeds $281; the same family in nearby Georgia may be eligibile until gross income reaches $549. In Maine, the gross income limit would be $707 per month for the same family. It is also a more accurate measure of need than State need standards. Moreover, the food stamp program limits gross income to 130 percent of poverty. Aligning the food stamp and AFDC policies will

simplify administration of these two programs and could reduce errors.

WORK EXPENSE DEDUCTION (SECTION 302)

Present law

Prior to enactment of the Omnibus Budget Reconciliation Act (OBRA) of 1981, States were required to deduct the actual itemized work expenses when determining AFDC eligibility and benefits for working AFDC families. Work expenses were any expenses, including child day care, that were reasonably attributable to the earning of income. The OBRA amendments limited the disregard for work expenses to $75 per month for full-time employment and capped the child care disregard at $160 per month per child. States are required to set a lower work expense deduction for part-time workers.

Explanation of provision

The bill would modify slightly the OBRA policy with respect to the work expense deduction: it would apply the $75 monthly deduction to both full and part-time workers. This change would recognize that mandatory deductions—such as Federal and State income taxes and social security taxes—when combined with work-related transportation costs, can easily exceed the part-time work expense limit (it is not unusual for these expenses to exceed even the $75 limit). Most importantly, it would help to address the overriding concern of many low-income working families—the need for health care—by assuring them continued Medicaid coverage and a small AFDC benefit.

CONTINUATION OF $30 DISREGARD FROM EARNED INCOME (SECTION 303)

Present law

Under current law, the AFDC payment of a working AFDC recipient is based on monthly earnings after certain deductions are made. These deductions are : (1) the first $30 of earnings; (2) $75 for work expenses of full-time employees; (3) child care expenses to a maximum of $160 per month per child; and (4) one-third of remaining earnings. The $30 plus ⅓ disregard is limited to four consecutive months. With these disregards the disposable income of the working family is higher.

Explanation of provision

The bill would remove the 4-month limit on the $30 deduction for working AFDC families; the limit would be retained for the one-third disregard. This change, when combined with the small increase in the work expense allowance for part-time workers will help to assure that these low-income families receive a small AFDC check and continued Medicaid eligibility. These changes will also make it possible for the neediest of those families cut from AFDC by the Omnibus Budget Reconciliation Act changes to return to the program and obtain the health coverage they need.

WORK TRANSITION ALLOWANCE FOR CERTAIN FAMILIES WHO LOSE AFDC BENEFITS BECAUSE OF EARNED INCOME (SECTION 304)

Present law

The Omnibus Budget Reconciliation Act of 1981 significantly changed the method for calculating countable income in the AFDC program. As a result of these changes, many working AFDC families lose AFDC eligibility and the Medicaid coverage that is automatically extended to AFDC recipients when the 4-month limit on the work incentive is imposed. If these families became ineligible due to increased earnings, they would receive an additional four months of Medicaid. However, since their ineligibility is the result of fewer deductions (and not increased earnings), they are not assured of continued health coverage, unless the State had chosen to offer supplemental health benefits (known as a medically needy program).

Explanation of provision

The bill would address this problem by creating an AFDC work transition status for AFDC recipients who become ineligible for AFDC due to earnings and the time limit on the earned income disregard. The new AFDC work transition status will provide these working families with a $10 AFDC benefit and Medicaid for nine months after leaving AFDC. At State option, the work transition period could be extended for an additional six months. The normal Federal-State reimbursement rates would apply.

Former AFDC recipients who are working could reapply for AFDC and would be eligible for the work transition payment so long as the family has no health coverage and meets all of the AFDC eligibility requirements except that eligibility would be determined with the $30 and one third disregard. Those determied to be eligible would receive the $10 AFDC check and Medicaid as described above.

There are thousands of working AFDC mothers with children who have lost or could lose AFDC and Medicaid, or have experienced a substantial reduction in AFDC benefits, because of changes in the AFDC program mandated by the Omnibus Budget Reconciliation Act of 1981. These are women raising young children by themselves and working at the only jobs that are available to them, which are ususally the lowest paying jobs in the country and which generally provide no health insurance protection. It is only because the vast majority of AFDC recipients would rather work than receive welfare that so few AFDC recipients have apparently chosen to quit their jobs as a result of the 1981 changes.

Studies by the Reagan administration and, most recently, the General Accounting Office have shown loss of health coverage to be an acute problem for AFDC families. In the five sites examined by GAO, loss of health coverage ws common among former AFDC recipients. In Dallas, 59.2 percent of those families who lost AFDC did not have any health coverage. In Memphis, 45 percent, in Boston, 27.5 percent, Syracuse, 17.1 percent, and in Milwaukee, 13.9 percent had no health coverage at all. In these same 5 sites, between 7.9 percent and 13.3 percent of these former AFDC recipi-

ents said they were refused medical or dental care because they were unable to pay or had no insurance.

GROSS AMOUNT OF EARNED INCOME (SECTION 305)

Present law

The Omnibus Budget Reconciliation Act of 1981 established a $75 work expense deduction for full-time workers (less for part-time). Courts in several States have been asked to interpret whether this $75 deduction is taken from gross or net earnings (after deductions are made for income taxes, insurance, FICA, support payments, or other items, regardless of whether the deduction is voluntary or involuntary). HHS regulations require the $75 to be deducted from gross income. However, courts in two States have ruled that the work expense deduction is applied to net income.

Explanation of provision

The bill amends the Social Security Act to clarify that the $75 work expense allowance is deducted from gross earnings prior to the taking of any payroll deductions.

ADDITIONAL EXCLUSIONS FROM LIMITATIONS ON FAMILY RESOURCES (SECTION 306)

Present law

The Omnibus Budget Reconciliation Act of 1981 set new limits on the amount of resources an assistance unit may have and be eligible for AFDC. States must establish a limit of $1,000 (or less) on the equity value of the resources an assistance unit may own and must by regulation: deduct any obligations or debts on the resources; exclude the equity value of one automobile up to $1,500 (or lower if the State chooses); exclude the value of a home owned and occupied by the assistance unit; and count all other resources except, at State option, basic items essential to day-to-day living, such as clothing, furniture and other similarly essential items of limited value.

The current AFDC law is different from both the SSI and food stamp program policies for treating burial plots and burial arrangements and the provision to allow eligibility during the time an individual is making a good faith effort to sell the excess resource at a reasonable price. For example, under current SSI law, burial spaces for an individual and members of his immediate family are excluded from countable resources (subject to limits prescribed by the Secretary of HHS). Burial funds of up to $1,500 each for the individual and his or her spouse are also excluded if specifically set aside for this purpose. Such funds reduce the amount of a life insurance policy which may be excluded under SSI law. Under SSI, the Secretary is also authorized to exclude (as income and resources) increases in the value of amounts set aside for burial expenses because of any appreciation in the value of specified prepaid burial arrangements. The food stamp program also provides for the exclusion of burial plots, funeral agreements, and property a family is making a good faith effort to sell.

Explanation of provision

The bill gives the Secretary of HHS authority to exclude by regulations, burial spaces, funeral agreements and certain property from countable income. In addition, resources in the form of real property which the family is making a good faith effort to sell at a reasonable price would not be counted as a resource as is now the case under the food stamp program. It is the intent of this Committee that in developing such regulations, the Secretary shall conform them as much as possible to the rules for the food Stamp and/or SSI programs so as to coordinate the eligibility requirements under these programs.

DIRECT REIMBURSEMENT OF AFDC RECIPIENTS FOR TRANSPORTATION AND DAY CARE COSTS ATTRIBUTABLE TO PARTICIPATION IN THE COMMUNITY WORK EXPERIENCE PROGRAM (CWEP) (SECTION 307)

Present law

Under present law, States are permitted but not required to establish a community work experience program (CWEP) and to require that AFDC recipients participate in these programs as a condition of eligibility. Under this program, recipients must "work off" their AFDC benefit. Participants are not required to work in excess of the number of hours which, when multiplied by the greater of the Federal or the applicable State minimum wage, equals the sum of the aid payable to the family. The law requires that the State must provide reimbursement to a CWEP participant for transportation and other costs reasonably necessary and directly related to participation in the program, but gives the Secretary authority to set limits on the amount that is matchable with federal funds as an AFDC administrative expense at the fifty percent matching rate. By regulation, the Department has set a $25 per month limit on direct participant reimbursement. Any services which exceed $25 may be provided as in-kind services by the State.

Explanation of provision

The $25 ceiling on reimbursable expenses is arbitrary and in no way is reflective of the actual and necessary CWEP expenses which participants may incur. In addition, it is not always efficient for the State to provide the services; this approach can easily turn out to be more expensive and cumbersome than letting the participants obtain day care and transportation on their own. Under the food stamp workfare program, all reasonable expenses are reimbursable.

The bill would provide that, where the State is unable to directly provide necessary transportation and child day care services, Federal matching funds would be allowed for the full amount of reimbursement to an AFDC recipient for transportation and day care expenditures by the recipient that result from his or her participation in the community work experience program (CWEP).

MONTHLY REPORTING AND RETROSPECTIVE BUDGETING MADE OPTIONAL WITH EACH STATE; FEDERAL MATCHING FOR STATE SUPPLEMENTARY PAYMENTS (SECTION 308)

Present law

Each month, eligibility for AFDC is determined prospectively, on the basis of the current month's circumstances. Actual monthly benefits are calculated retrospectively, using the family's actual income in the previous month. With HHS approval, States may use a two-month retrospective budgeting system in which the monthly benefit is figured using income from two months earlier. To obtain information, States must require each family to submit a monthly report with details on income, resources and any changes in family circumstances. States may exempt certain categories of AFDC recipients from the monthly reporting requirement with prior approval by the Secretary of HHS; there can be no waivers of the retrospective budgeting requirement.

The law permits States to make supplemental payments when the retrospective budgeting system is unable to respond promptly to lost income. For example, if the AFDC mother loses her job, her AFDC payment would not be increased until two months later under some retrospective budgeting systems unless the State is permitted to make a supplemental payment. However, if a State chooses to make supplemental payments under current law, it must do so entirely at State expense. Federal matching funds are not provided.

Monthly reporting and retrospective budgeting are also mandatory for the food stamp program, although the technical requirements in food stamps differ significantly from the AFDC rules. The Secretary of Agriculture does have authority, however, to waive any of the food stamp monthly reporting and retrospective budgeting rules for compatibility with AFDC requirements; the HHS Secretary does not have a similar authority. The mandatory monthly reporting and retrospective budgeting policy was established by the Omnibus Budget Reconciliation Act of 1981.

Explanation of provision

The bill would allow, rather than require, States to use a retrospective budgeting and monthly reporting system. It would also provide Federal matching for State supplements paid under a retrospective budgeting and monthly reporting system, if the State elects to pay such supplements, when the system cannot respond promptly to changes in immediate needs.

Recent studies have raised questions about the cost effectiveness of mandatory monthly reporting and retrospective budgeting and estimates of the savings that would accrue from this policy have been sharply reduced. In addition, there is concern with the lack of compatibility between the AFDC and food stamp monthly reporting and retrospective budgeting requirements. Using two different systems increases the chances for errors when the already complex monthly reporting and retrospective budgeting policy is actually applied. For this reason, the bill gives the HHS Secretary authority to waive any monthly reporting and retrospective budgeting rules in AFDC to make them compatible with food stamp requirements.

The Committee is also concerned that this accounting procedure can result in a one or two month delay in eligibility for AFDC, or in adjusted AFDC payments, in cases where an individual becomes unemployed or the financial circumstances of the family otherwise change. Allowing States the option to use retrospective budgeting will give them more flexibility in responding to immediate needs of AFDC families. If the State retains retrospective budgeting, and has a State supplement program, providing Federal matching for State supplements in cases where the retrospective budgeting prevents immediate assistance will also result in timely assistance to needy families.

By making monthly reporting and retrospective budgeting optional, States will be able to use it when it is most cost effective. The unnecessary administrative burden that the requirement has created will be eliminated and States will have the time and opportunity to use other proven techniques for reducing errors and assuring accurate and timely AFDC payments.

EXCLUSION OF EARNED INCOME TAX CREDIT FROM COUNTABLE INCOME (SECTION 309)

Present law

The earned income tax credit (EITC) was created by Congress to reduce the tax obligations of working poor Americans, thereby increasing disposable income for these families. Eligible employees—those earning less than $10,000 and providing at least 50 percent of the support for a dependent—may elect to receive their EITC in the form of advance payments added to their paychecks, or apply for a refund at the end of the year when they file their tax returns.

Prior to enactment of the Omnibus Budget Reconciliation Act (OBRA) of 1981, States counted the EITC as income for AFDC purposes in the month it was received and as a resource in subsequent months. Under the current policy, created by OBRA, States must assume that an individual is receiving the EITC on an advance monthly basis, if he or she appears to be eligible for it, regardless of whether the person has applied for or actually receives the payment. Counting the EITC on a monthly basis has the effect of reducing the family's AFDC benefit.

Explanation of provision

The EITC was established to provide work incentives and relief from income and social security taxes to low-income families who might otherwise need large welfare payments. Under present law, the EITC is a relatively small amount, averaging $277 per year. Real or constructive receipt of the credit can, however, act to make a family ineligible for AFDC assistance, creating a serious work disincentive for these families. Moreover, the current policy is administratively complex, requiring State welfare workers to fully understand and correctly apply Internal Revenue Service policies with respect to the EITC as well as the confusing AFDC policy.

The bill would require States to disregard the EITC from countable income in determining AFDC eligibility and benefit amount.

FEDERALLY ASSISTED PILOT PROJECTS TO DEMONSTRATE ONE-STOP SERVICE DELIVERY SYSTEM (SECTION 310)

Present law

Under present law, funding for demonstration projects which test coordinated delivery of various human service programs is not specifically authorized. General demonstration authority is available under sections 1110 and 1115 of the Social Security Act for some programs authorized by the Act. It has been estimated that there are approximately 62 different federally funded programs that provide social services and benefits directly to needy individuals and families. Currently there are few financial incentives or advance planning funds available to encourage States and localities to coordinate the delivery of the various human service programs at the state and local levels.

Explanation of provision

The bill would establish from 3 to 5 Federally assisted demonstration projects (including not more than one statewide project) designed to test the effectiveness and efficiency of integrating the delivery of human services, or combining the administration of separate human service programs into a single delivery system. Periodic reports from the Secretary of HHS as to the progress of selected projects and an independent study of all projects at the end of the 3 year period would be required. The Secretary of HHS would be prohibited from conducting or approving any experimental, demonstration or pilot project that would lower or further restrict the benefit levels or income or resource standards, deductions or exclusions provided under any of the programs, or that would delay the provision of benefits under any of the programs encompassed by a proposed project.

The integrated service delivery system is an attempt to offer a holistic approach regarding service planning and delivery on behalf of clients. This approach is in accordance with the idea that human service delivery should be cliet-centered and that once entry is made into the human service system, all clients' needs are met in a coordinated manner. The intent is to evaluate the overall client situation, establish comprehensive goals and a plan of services that permits coordination among the various agency providers. This system could also improve efforts to permit one State and three or four localities to conduct pilot projects with Federal matching money at 90–10 in the first year, 80–20 in the second year and 70–30 in the third year.

A human service program is defined to include aid to Families with Dependent children (AFDC), Supplemental Security Income (SSI), food stamps, and any other Federal or Federally-assisted program for which benefits or services are based on need or income qualifications. Also included could be programs that are designed to meet basic human needs in crisis or emergency situations such as Low Income Energy Assistance and the AFDC emergency assistance program. Conceivably, States could also include medicaid, any human service block grant, mental retardation programs, aging services, and programs for the developmentally disabled. Vocational rehabilitation programs would be specifically excluded.

Demonstration sites would have to include each of ten activities in their test of integrated service delivery. Thes include:

(1) Develop a common set of terms for use in all of the human service programs involved. An example of common terms is as follows: currently, "clients", "beneficiaries", and "recipients" are all used to describe persons served by human service programs. All providers would agree to call the recipient of services by the same term. This would result in a commonly understood language for human service programs.

(2) Develop a single comprehensive profile for each family. States and localities would create a file that includes all of the information pertinent to the family's eligibility for any of the programs lincluded in the demonstration.

(3) Develop and maintain a single resources directory by which the citizens of the community may be informed of and gain access to services which are available. This directory would identify all of the various services that are offered in the community and describe procedures for applying for these services, making it easier for potentially eligible persons to learn of the programs and apply for them.

(4) Use a unified budget and budgeting process, and a unified accounting system, with standardized audit procedures. States would replace the various existing budgeting and auditing requirements with one single approach for the agency.

(5) Implement unified planning, needs assessment and evaluation. A single planning and evaluation process would replace the existing patchwork of activities.

(6) Consolidate agency locations and transportation services to make it easier for recipients to gain access to them as well as to enhance the opportunity for agency workers to approach the family and the services they need as a whole unit. For example, in the case of transportation services where there are many bus routes for each population being served, these routes could be consolidated so that the elderly, mentally retarded, and children in day care would all ride on the same bus.

(7) Standardize procedures for purchasing services from nongovernmental sources. This would allow states and localities in demonstration sites to use one set of procedures for purchase of services and to use one contract when a single service, like transportation, is needed in several different programs.

(8) Create communications linkages among agencies to permit the servicing of individual and family needs across program and agency lines. This would encourage inter-program coordination and simplify access to programs from the recipient's perspective.

(9) Develop, to the maximum extent feasible, uniform application and eligibility determination procedures. States could establish one set of application and eligibility rules, including a single budgeting process for all of the programs in the demonstration.

(10) Any other methods, arrangements and procedures which the HHS Secretary determines are necessary, desirable, or consistent with the establishment and operation of an integrated service delivery system.

One statewide project and three or four smaller projects are to be operated under this demonstration. States that are interested in participating in the pilot are to apply to the HHS Secretary no later than nine months after the date of enactment of this bill. The HHS Secretary, in considering and approving the applications, should take into account the size and characteristics of the population that would be served by each proposed project and the geographic distribution and nature of human service programs which are in operation in the communities involved. Moreover, the Secretary is encouraged to select demonstration sites that already have made an attempt to coordinate their human service programs. Once approval is given, each state has a six-month period before the actual beginning of the 3 year project to make the necessary plans and preliminary arrangements, including the hiring of personnel needed for the project. The Federal government will reimburse expenditures during this six-month period with a 90 percent Federal match.

At the end of the six-month planning period the project is financed for three years, at the gradually reduced match, with no interruption in the time frame. Therefore, once the Secretary has awarded the grant, the State has three years and six months to carry out the project.

The Secretary of HHS would regularly consult and coordinate with the various secretaries or heads of other Federal agencies having jurisdiction over or responsibility for one or more of the human service programs included in the demonstrations. In addition, when a State makes an application and requests a waiver, the HHS Secretary shall review and decide on the waiver if it is within the scope of existing law pertaining to HHS programs. If the waiver request is within the jurisdiction of another Federal agency, the Secretary of HHS shall take the request to the appropriate department head.

The bill also requires that, when a recipient makes application for services provided by a human service delivery demonstration project, the application will clearly state that information provided by the recipient will be shared with other agencies participating in the project.

The Secretary shall require that periodic reports be submitted on the cost-effectiveness and the extent to which the human service delivery system is improving the delivery of services. The first of these reports is due three months after the date on which the project begins. No project shall run for more than three years (plus the six month planning period) and the Secretary shall periodically submit a report to Congress on the progress and current status of each pilot project approved under this demonstration.

The Comptroller General shall request, through the General Accounting Office, a complete study to determine the extent to which the human service delivery projects have achieved their stated purpose. The Comptroller General shall pay particular attention to cost-effectiveness, the affect on management efficiency, the degree to which delivery of services is improved, and the impact, if any, of the demonstrations on the number of employees.

DEMONSTRATION PROGRAMS TO TEST THE USE, UNDER THE AFDC PROGRAM, OF THE RULES, PROCEDURES, AND SPECIFICATIONS IN USE UNDER MEDICAID AND FOOD STAMP PROGRAMS (SECTION 311)

Present law

Three sets of Federal regulations exist for AFDC, Medicaid and food stamps, which are administered by three separate agencies—the Office of Family Assistance for AFDC and the Health Care Financing Administration for Medicaid, both of which are in the Department of Health and Human Services and the Food and Nutrition Service in the Department of Agriculture for food stamps. In each program, a different set of program definitions, budgeting procedures and eligibility requirements has been developed.

At the State and local levels, one agency—the department of welfare or human services—usually administers these three programs, which frequently serve the same body of needy recipients. The differing program rules and requirements create unnecessary confusion and complications for State and local agency workers and recipients, too often resulting in excessive administrative costs and high error rates.

Although there is currently authority in the Social Security Act for the HHS Secretary to waive certain requirements of the AFDC program, sufficient attention has not been given to the issue of allowing States to demonstrate the usefulness of aligning the policies and procedures of the AFDC, food stamp and Medicaid programs.

Explanation of provision

The bill would allow up to five States to establish three year demonstration projects in which AFDC definitions and budgeting procedures are conformed with the Medicaid or Food Stamp programs, or both. The Secretary would be prohibited from conducting or approving any experimental, demonstration or pilot project that would lower or further restrict the benefit levels or income or resource standards, deductions or exclusions provided under any of the programs, or that would delay the provision of benefits under any of the programs, encompassed by a project.

The demonstrations would have three specific objectives. They would test: (1) whether these programs can be more efficiently administered by using common rules and procedures; (2) whether these programs can be made easier for the recipient and the general public to understand; and (3) whether agency and client errors can be reduced as a result of greater program compatibility. Demonstration States would also be permitted to extend a successful project for an additional two years to allow time for Congress to make any changes in law identified as necessary by the demonstrations.

EXEMPTION OF CERTAIN PREGNANT WOMEN FROM REGISTRATION FOR WORK OR TRAINING (SECTION 312)

Present law

Under present law most persons 16 years of age or older who are receiving or applying for AFDC must register for the work incentive program (WIN) which to the extent funds are available, pro-

vides job training and job placement services. An individual may be exempt from the WIN registration requirement if he or she is unable to participate due to illness, incapacity, advanced age, full-time student status, remoteness from a WIN project or due to the need to care for an ill or incapacitated member of the household. Also exempt are mothers who are caring for their child under the age of 6 years. This, therefore, does not exempt pregnant women whose youngest child is 6 years or older from the work and training registration requirement, even though they will be exempt from the requirement when the child is born. The regulations now present States with only two alternatives to WIN registration by these women. They may exempt pregnant women from work after a case-by-case review—a costly and unnecessary administrative task—or they may declare pregnant women incapacitated and exempt them from work on that basis—a declaration that the States find untenable.

Explanation of Provision

The bill exempts pregnant women in their third trimester of pregnancy from work registration, giving States more time and some added funds to devote to recipients in need of more immediate employment.

COMPUTATION OF MAXIMUM REQUIRED HOURS OF WORK UNDER COMMUNITY WORK EXPERIENCE PROGRAMS (SECTION 313)

Present law

Under current law, participants in the community work experience program (CWEP) may not be required to work in excess of the number of hours which, when multiplied by the greater of the Federal or the applicable State minimum wage, equals the amount of aid payable to the family.

Explanation of provision

The bill excludes that portion of the AFDC payment which is offset by actual child support collections when computing the maximum number of hours an AFDC recipient may be required to participate in a CWEP program.

The amendment recognizes the fact that in many cases a portion of the AFDC payment received by a family is, in effect, a pass-through of the child support payments made by the absent parent to the State IV-D agency. It would be unfair to require an AFDC recipient to perform unpaid work in exchange for child support payments.

TREATMENT OF NONRECURRING LUMP-SUM INCOME (SECTION 314)

Present Law

Under present law, as a result of the Omnibus Budget Reconciliation Act of 1981, States are required to consider nonrecurring lump sum income—such as insurance settlements—to be available to the family over a period of time. The period of ineligibility resulting from this consideration is determined by dividing the lump sum amount by the State's standard of need, producing the number

of months that the family is ineligible for aid. By regulation, States may only shorten the period of ineligibility when a life-threatening circumstance exists, and the nonrecurring income causing the period of ineligibility has ben or will be expended in connection with that life-threatening circumstance.

Explanation of Provision

The bill would allow a State, at its option, to recalculate the period of ineligibility in any case where changes in family composition, income, resources, or other circumstances have increased the financial need of the family.

The implementing regulation for this provision does not allow States the flexibility they need to adjust the family's ineligibility period when circumstances change. Once the initial calculation is made—and the family is declared ineligible for "x" months—this period cannot be shortened except for life-threatening circumstances. So, if the family's needs increase because a child is born, or the family faces high medical bills due to illness or accident (none of which are usually considered "life-threatening") they are ineligible for aid, even though the change in circumstances may have forced the family to spend the lump sum income that causes ineligibility in the first place.

WAIVER OF OVERPAYMENT RECOUPMENT WHEN COST OF COLLECTION WOULD EXCEED THE AMOUNT DUE (SECTION 315)

Present law

A provision in the Omnibus Budget Reconciliation Act of 1981 requires States to promptly take all necessary steps to correct any overpayment or underpayment in AFDC. For overpayments to current AFDC recipients, States are to reduce the amount of any future aid after assuring that the family's liquid resources and income are no less than 90 percent of the amount payable under AFDC to a family of the same size with no other income. Overpayments to persons no longer receiving AFDC are to be recovered from the income and resources of the family, under any applicable State laws. This generally means taking the family to court. HHS regulations require States to attempt to recover all overpayments, taking all reasonable steps to correct and collect any overpayment that is known to the State.

Explanation of provision

The bill provides that no recovery need be attempted or carried out in any case where the cost of recovery would equal or exceed the amount of overpayment involved. The Secretary is to prescribe by regulation, the cost effectiveness criteria to be used by States when they decide whether recovery should be pursued.

Current law and regulations do not give States sufficient flexibility to waive the recoupment process when it will not be cost effective to pursue collection. This is especially the case when the overpayment was to a family that no longer receives AFDC and is a small amount. The court costs associated with obtaining the overpayment from these families often exceed the overpayment itself.

DETERMINATION OF OVERPAYMENT AMOUNTS WHEN RECIPIENT'S COUNTABLE ASSETS EXCEED LIMITS (SECTION 316)

Present law

Under current law, family resources are limited to $1,000 (or a lower amount set by the State). An owner-occupied home and one automobile (valuded at no more than $1,500) are exempt.

States must attempt to recover all overpayments to AFDC recipients. An overpayment is equal to the amount of the payment which exceeds the amount for which that family was eligible. In practice this means that if a family's resources exceed the limit by $10, the family is ineligible for AFDC; the entire AFDC check for that month is an overpayment and must be recouped.

Explanation of provision

The bill provides that when an overpayment occurs due to excess family resources, the amount of the overpayment which must be recouped would equal the lesser of (1) the total amount of benefits that the family received during the period in which resources exceeded the limit; or (2) the greatest amount by which the total value of the resources of the family exceeded the limit during any one month during the overpayment period.

STATE DISCRETION TO MAKE PROTECTIVE PAYMENTS (SECTION 317)

Present law

States must remove the parent from the AFDC grant and make protective payments to a third party when a parent fails to comply with certain procedural requirements in the AFDC program. Protective payments must be made when there is failure to cooperate in the work incentive (WIN) program or the Community Work Experience Program (CWEP) and if a parent fails to assign child support rights or refuses to cooperate with child support enforcement efforts.

Explanation of provision

The bill allows rather than requires States to make protective payments if the parent fails to comply with the above mentioned procedural requirements. The amendment does not change the requirement that individuals who do not meet these requirements are subject to the penalty of being removed from the AFDC grant. However, providing AFDC payments only through a protective payee in all such cases may sometimes be an unwarranted additional penalty. Moreover, there are circumstances in which welfare agencies find it difficult if not impossible to find responsible protective payees to act on behalf of AFDC recipients and receive the AFDC check. The bill would give the State agency the authority to determine when protective payments can and should be made when there is failure to comply with the procedural requirements. Protective payments would continue to be required when there is evidence of money mismanagement by the caretaker.

SUSPENSION OF SANCTIONS BASED ON ERROR RATES (SECTION 318)

Present law

Section 403 of the Social Security Act does not permit Federal matching funds for any erroneous AFDC payments. This provision was modified by the so-called "Michel amendment" and by the Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248) to permit matching of limited erroneous payments up to specified targets.

Under the "Michel amendment", States are to reduce their AFDC payment error rate to 4 percent by September 30, 1982. Regulations require the States to achieve one-third progress toward the 4 percent payment error rate (measured from their error rate for the base period April-September 1978) by September 30, 1980, and two-thirds progress by September 30, 1981. The 4 percent goal is the standard for fiscal year 1983. The amendment in TEFRA reduced the 4 percent tolerance level to 3 percent, beginning with fiscal year 1984. State error rates are determined on the basis of a State quality control review of a sample of the caseload and a re-review of a portion of the State sample by the Federal government.

Twenty-eight States failed to meet their AFDC target error rates for the fiscal year 1981 quality control review period. These States have been notified that they are subject to disallowance of Federal matching (totalling $73.6 million) unless they can demonstrate that they failed to meet the target error rate despite a good faith effort. The Department of Health and Human Services is currently reviewing State requests for waivers of these fiscal sanctions.

Explanation of provision

The bill would postpone, until fiscal year 1986, any requirement imposed on States to pay the Federal government the Federal cost of improperly paid benefits, as determined by quality control reviews. The amendment would not absolve States of the liability to repay the Federal share of erroneous payments, but would simply postpone the repayment.

There is growing concern with the accuracy and timeliness of the AFDC quality control process and the cost effectiveness of continued error reduction. Among the weaknesses in the current quality control system are: (1) States are penalized for technical errors that do not involve actual mispayments and client-caused errors over which the States have limited control; (2) the current quality control system does not recognize error-relevant socioeconomic, geographic, and program differences among the States; (3) State error rates may be overstated because the mid-point is used rather than the lower bound of the range within which a State's true error rate falls and the sample size for the Federal re-review of State quality control findings may be too small; (4) State error rate data are available too late to be of real use in guiding State corrective action; and (5) the cost effectiveness of implementing various corrective measures to reduce errors is not considered.

In addition to concerns about the current quality control process, the uniform requirement that all States achieve one-third progress toward the error rate goal by September 30, 1980, and two-thirds progress by September 30, 1981, may unfairly penalize those States that have already engaged in substantial and successful error rate

reduction efforts. States with error rates below the national average, but higher than the 4 percent target, are subject to the progress requirements under the same conditions as those States with high error rates and modest error rate reduction procedures. Minor improvements in the error rate reduction efforts of high error rate States can result in their satisfying the one-third progress requirement even though the error rate in the State continues to be above the national average. Conversely, a State with a relatively low error rate, but one that is above the 4 percent goal, may find it more difficult to meet the one-third progress requirement.

Postponing these fiscal penalties will allow Congress to review the current quality control system and, in consultation with the States and the Department of Health and Human Services, identify any needed improvements. It has come to the Committee's attention that in 1978 HHS began a comprehensive study of the AFDC quality control system, the results of which have not been published. Since this study examines whether factors beyond a State's control contribute to the error rate it would be a valuable resource during the Committee's review of the quality control program. The Department is encouraged to share the results of the study with the Committee and its staff as soon as possible.

ELIGIBILITY REQUIREMENTS FOR ALIENS (SECTION 319)

Present law

To determine AFDC eligibility for legally admitted (non-refugee) aliens, States must assume that a portion of the alien sponsor's income and resources is available for the alien's support for a period of three years after entry into the United States. This requirement, enacted as part of the Omnibus Budget Reconciliation Act of 1981, applies to all aliens who are sponsored by individuals and who apply for AFDC after September 30, 1981. The law stipulates that a sponsor's earned and unearned income (and that of the sponsor's spouse) shall be deemed available to the alien after the following deductions are made: (1) 20 percent (to a maximum of $175) of earnings for work expenses; (2) the AFDC need standard for the sponsor's family size; (3) any amounts paid by the sponsor (or his spouse) for the care of persons who are not living with the sponsor but who are claimed as dependents for Federal income tax purposes; and (4) alimony or child support. The sponsor's resources, less $1500, are also attributed to the alien.

Explanation of provision

The bill would require States to find ineligible a legally admitted alien who is sponsored by an organization or agency for three years following the alien's entry into the United States. Rather than use the deeming of income approach that is applied to individuals who sponsor aliens, the bill would require the State to find the alien ineligible unless: (1) the sponsoring agency is no longer in existence; or (2) the sponsoring agency does not have the financial ability to meet the alien's needs. The criteria for making either of these determinations, and the documentation that the State agency would require (including documentation to be furnished by the alien him-

self) are to be prescribed by the State, and set out in its approved AFDC plan.

PROVISION BY STATE AGENCIES OF INFORMATION REGARDING FUGITIVE FELONS (SECTION 320)

Present law

States may disclose information concerning AFDC applicants and recipients only for purposes connected with: (1) the administration of the child welfare, WIN, child support, SSI, Medicaid, or title XX social services programs; (2) any investigation, prosecution, or criminal or civil proceeding related to the administration of any other Federally-assisted program which provides assistance or services based on need; (3) the administration of any other Federally assisted program which provides assistance or services based on need; and (4) any audit or similar activity conducted in connection with the administration of any such plan or program by an authorized governmental entity.

Explanation of provision

The bill allows the disclosure of specified information to police officers with respect to AFDC recipients who are fugitive felons. This would permit a State to release the name, current address, and Social Security number of an individual receiving AFDC to a State or local police officer if such officer furnishes the agency with the Social Security number of the individual and satisfactorily demonstrates that the individual is a fugitive felon.

The privacy of individuals requesting AFDC assistance should be protected. However, AFDC should not be provided to fugitive felons. The bill would allow the exchange of information between the AFDC agency and law enforcement officers only in narrowly defined circumstances. The exchange of information in those circumstances will protect the rights of individuals seeking assistance while assisting law enforcement officers in the apprehension of fugitive felons.

PAYMENT SCHEDULE FOR REIMBURSEMENT OF CERTAIN BACK CLAIMS DUE TO THE STATES (SECTION 321)

Present law

Public Law 97-276, required that a payment schedule be established for the Federal reimbursement of States' back claims in public assistance programs. This provision was included in the law to protect the States' claims in a case pending in the Federal Court of Appeals. The Court (in Connecticut v. Heckler) has since resolved the issue in favor of the States. The Department of Health and Human Services (HHS) has been directed to pay out all allowable claims approved by HHS's Grant Appeals Board.

HHS has submitted a proposed "payment schedule." Under its proposal there would be no immediate payment, even for the claims already allowed. Instead, payment would be withheld to the latest possible time in fiscal years 1984, 85 and 86.

Explanation of provision

Under the bill the payment schedule contemplated by section 136 of Public Law 97-276 for reimbursement of expenditures described in that section would be as follows:

(1) For expenditures identified as allowed claims in the decree entered by the United States District Court for the District of Columbia on July 21, 1983, in the case of *State of Connecticut* v. *Heckler,* No. 81-2237, payment shall be by supplemental grant award or otherwise immediately upon commencement of fiscal year 1984;

(2) For any other expenditure described in section 136 which was identified in the aforementioned *State of Connecticut* v. *Heckler* suit or any other suit with respect to such an expenditure filed prior to September 30, 1982, payment shall be made by supplemental grant award or otherwise as soon as the expenditure or portion thereof, if any, is finally determined to be allowable under the substantive provisions of the applicable Social Security Act title.

There should be an immediate payment of the $71 million already allowed and payment of subsequent allowances as soon as the claims are allowed by HHS. Given that that these claims date back to services rendered by the States before September of 1978, and have all been filed by May of 1981, it would be unreasonable to ask the States to wait another year for payment of these claims.

OPTIONAL GRANT DIVERSION PROGRAM (SECTION 322)

Present law

Under current law, a State may only implement an AFDC grant diversion program pursuant to a waiver granted by the Department of Health and Human Services. Six States are operating grant diversion programs under this waiver authority. In a grant diversion program, all or part of the AFDC grant may be used to subsidize wages for an AFDC recipient. An employer contribution is also required and a time limit set on the subsidy period.

Explanation of provision

The bill would give States the authority to operate cost-effective grant diversion programs which attempt to reduce welfare dependency and eliminate the use of the time consuming and administratively burdensome waiver process to approve such projects.

States would be given authority to enter into contracts with public and private employers to subsidize employment (and on-the-job training) for AFDC-eligible individuals. States could pay these employers the maximum AFDC grant for a given family size but the State contribution could not exceed 50 percent of the wages. The grant diversion program would not have to operate statewide. States would be reimbursed for their expenditures on the same basis as the regular AFDC program.

To participate in the grant diversion program, the individual must be eligible for AFDC at the time of placement. Participation in grant diversion would meet the work requirements of the AFDC program. Wages paid under grant diversion would be treated as earnings for all other purposes of law. In addition, States would be permitted to extend the one-third of earnings disregard for the du-

ration of the subsidy period (i.e. the one-third deduction would not be limited to four consecutive months).

Finally, participants in the grant diversion program must be given employee status by the employer. These families would retain Medicaid eligibility, however, in many cases employee status includes health insurance coverage. When this is true, Medicaid automatically becomes the payor of last resort.

PERMANENT EXTENISON OF THE DISREGARD OF IN KIND ASSISTANCE (SECTION 323)

Present law

The Social Security Amendments of 1983 contain a provision that in-kind assistance provided by a private nonprofit organization to an aged, blind, or disabled individual, or to a family with dependent children, be disregarded under the SSI and AFDC programs if the State determines that such assistance was provided on the basis of need. This provision expires October 1, 1984. A second provision excludes heating assistance provided to recipients based on need. This provision expires on July 1, 1985. Under prior law, in-kind assistance to SSI recipients was counted as income, discouraging such aid.

Explanation of provision

The bill would make permanent the existing authority to exempt from countable income in-kind assistance that is provided on the basis of need.

IV. Vote of the Committee and Other Matters To Be Discussed Under the Rules of the House

In compliance with clause (2)(l)(2)(B) of rule XI of the Rules of the House of Representatives, the Committee states that the bill was approved by voice vote.

In compliance with clause (2)(l)(3)(A) of rule XI, the Committee reports that the need for legislation to improve asset verification in the AFDC and SSI programs, to make improvements in these programs to assure that they provide adequate assistance to individuals and to reduce administrative complexity in these programs has been confirmed by continuing oversight hearings conducted by the Committee's Subcommittee on Public Assistance and Unemployment Compensation and Subcommittee on Oversight.

In compliance with clause (2)(l)(3)(D) of rule XI, the Committee states that no oversight findings or recommendations have been submitted to the Committee by the Committee on Government Operations with respect to the subject matter contained in this bill.

In compliance with clause (2)(l)(4) of rule XI, the Committee estimates that enactment of the bill will not create any inflationary pressures on the national economy.

In compliance with clause (2)(l)(3)(B) of rule XI the Committee advises that the required information pertaining to new budget authority or new or increased tax expenditures to the extent applicable to this bill is contained in the Congressional Budget Office estimate included below.

In compliance with clause 7(a) of rule XIII, the Committee states that it agrees with the Estimate of the Congressional Budget Office.

In compliance with clause (2)(1)(3)(C) of rule XI, the Committee states that the Congressional Budget Office has reviewed the bill as reported by the Committee and has submitted the following statement.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., April 9, 1984.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for the spending provisions in H.R. 5362, as ordered reported by the House Committee on Ways and Means on April 5, 1984.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

RUDOLPH G. PENNER, *Director.*

CONGRESSIONAL BUDGET OFFICE, COST ESTIMATE

1. Bill number: H.R. 5362.
2. Bill title: Unknown.
3. Bill status: As ordered reported by the House Committee on Ways and Means on April 5, 1984.
4. Bill purpose: To amend the Internal Revenue Code of 1954, title XVI of the Social Security Act, and part A of title IV of such Act to improve asset verification for benefits under the Supplemental Security Income and Aid to Families With Dependent Children programs and to make other improvements in such programs.
5. Estimated cost to the Federal Government: The estimated costs to the federal government are summarized in Table 1. Table 2 shows detail on outlays by provision.

TABLE 1.—ESTIMATED COST TO THE FEDERAL GOVERNMENT, SUMMARY BY FUNCTION

[By fiscal year, in millions of dollars]

	1984	1985	1986	1987	1988	1989
Direct spending:						
Function 550 (medicaid):						
Budget authority		62	−65	−90	−90	−120
Outlays		62	−65	−90	−90	−120
Function 600 (SSI and AFDC):						
Budget authority	−8	275	−181	−12	−7	−7
Outlays	−8	275	−181	−12	−7	−7
Subtotal:						
Budget authority	−8	337	−246	−102	−97	−127
Outlays	−8	337	−246	−102	−97	−127
Authorizations:						
Function 600 (AFDC and food stamps):						
Authorization		−30	−33	−33	−38	−38
Outlays		−30	−33	−33	−38	−38

TABLE 1.—ESTIMATED COST TO THE FEDERAL GOVERNMENT, SUMMARY BY FUNCTION—Continued

[By fiscal year, in millions of dollars]

	1984	1985	1986	1987	1988	1989
Total:						
Authorization/budget authority	−8	307	−279	−135	−135	−165
Outlays	−8	307	−279	−135	−135	−165

TABLE 2.—ESTIMATED FEDERAL OUTLAYS BY PROVISION

[By fiscal year, in millions of dollars]

	1984	1985	1986	1987	1988	1989
Supplemental security income (SSI):						
Increase resource limits:						
SSI		3	15	30	40	50
Medicaid offsets		2	10	15	25	35
Limit overpayments for assets in excess of limits		2	2	2	2	2
Exclude retroactive:						
SSI and OASDI checks from resources		(1)	(1)	(1)	(1)	(1)
Limit overpayment recoveries in any month		22	2	2	2	2
Extend disregard of emergency and in-kind assistance		(1)	(1)	(1)	(1)	(1)
Aid to families with dependent children (AFDC):						
Set gross income:						
Limit at 130 percent of poverty threshold						
AFDC		10	15	15	15	15
Medicaid offsets		10	20	20	25	25
Increase standard deduction to $75 for part-time workers:						
AFDC		20	20	20	20	20
Medicaid offsets	5	15	15	20	20	
Continue $30 beyond four months:						
AFDC		20	20	20	20	20
Medicaid offsets		5	15	15	20	20
Provide $10 month for nine months to families made ineligible by loss of 30⅓:						
AFDC		5	5	5	5	5
Medicaid offsets		40	40	40	45	45
Make Monthly Reporting/Retrospective Accounting Optional		20	20	20	20	20
Disregard EITC as income		10	10	10	10	10
Exempt burial plots from resources		3	3	3	3	3
Reimburse CWEP expenses		5	5	5	5	5
Postpone payment of fiscal sanctions		174	−174			
Clarify definition of earned income	−8	−24	−24	−24	−24	−24
Permit pilot projects on integrated service delivery		0	2	2	2	2
Allow demonstrations of common definitions		(2)	(2)	(2)	(2)	(2)
Alter payment schedule for back claims		(3)	(3)	(3)	(3)	(3)
Miscellaneous provisions		(1)	(1)	(1)	(1)	(1)
Other: Verify resources and unearned income (SSI, AFDC, and medicaid)		5	−265	−315	−350	−400
Food stamp offsets		−30	−35	−35	−40	−40
Total	−8	307	−279	−135	−135	−165

[1] Less than $500,000.

[2] This provision could result in either added savings or costs, depending on how states would alter AFDC definitions. No more than five demonstrations would be permitted.

[3] This provision would add to outlays in 1984 and perhaps in some other years and reduce outlays in other years. The amounts should roughly cancel out over this period. Exact changes in outlays cannot be estimated because it is not known how, or when, claims currently on appeal will be resolved.

Basic of estimate: We have assumed an enactment date of May 1984 for the purpose of estimating provisions that would become effective upon enactment.

The authorization estimates are shown as changes from the CBO baseline. The estimates assume corresponding appropriation action.

Final language for some of the provisions was not available, and the estimates for these provisions should be considered preliminary.

6. Estimated cost of state and local governments: Changes in SSI, AFDC, and Medicaid all affect state and local budgets. In SSI, most states provide supplements to federal benefits, so that when federal outlays rise state outlays also rise. In both AFDC and Medicaid, state and local governments share in the financing; the states' average financing share is 46 percent and the federal government's is 54 percent. The provision that postpones the payment of fiscal sanctions saves the states $174 million in 1985 and costs the states an indentical amount in 1986. The net estimated cost to state and local governments is shown below.

[By fiscal year, in millions of dollars]

	1984	1985	1986	1987	1988	1989
Estimated State and local costs	−5	−55	150	−40	−35	−60

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: Janice Peskin, Carmela Pena, and Jack Rodgers.

10. Estimate approved by: C. G. Nuckols (for James L. Blum, Assistant Director for Budget Analysis).

Changes in Existing Law Made by the Bill, As Reported

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

INTERNAL REVENUE CODE OF 1954

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Subtitle F—Procedure and Administration

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CHAPTER 61—INFORMATION AND RETURNS

* * * * * * *

Subchapter B—Miscellaneous Provisions

* * * * * * *

SEC. 6103. CONFIDENTIALITY AND DISCLOSURE OF RETURNS AND RETURN INFORMATION.

(a) GENERAL RULE.—Returns and return information shall be confidential, and except as authorized by this title—

(1) no officer or employee of the United States,

(2) no officer or employee of any State [or of any local child support enforcement agency], *any local child support enforcement agency, or any local agency administering a program described in subsection (l)(9)(C)* who has or had access to returns or return information under this section, and

(3) no other person (or officer or employee thereof) who has or had access to returns or return information under subsection (e)(1)(D)(iii), paragraph (2) or (4)(B) of subsection (m), or subsection (n),

shall disclose any return or return information obtained by him in any manner in connection with his service as such an officer or an employee or otherwise or under the provisions of this section. For purposes of this subsection, the term "officer or employee" includes a former officer or employee.

(l) DISCLOSURE OF RETURNS AND RETURN INFORMATION FOR PURPOSES OTHER THAN TAX ADMINISTRATION—

(1) DISCLOSURE OF CERTAIN RETURNS AND RETURN INFORMATION TO SOCIAL SECURITY ADMINISTRATION AND RAILROAD RETIREMENT BOARD.—* * *

* * * * * * *

(7) DISCLOSURE OF CERTAIN RETURN INFORMATION BY SOCIAL SECURITY ADMINISTRATION TO DEPARTMENT OF AGRICULTURE AND TO STATE FOOD STAMP AGENCIES.—

(A) IN GENERAL.—The Commissioner of Social Security may disclose return information from returns with respect to net earnings from self-employment (as defined in section 1402), wages (as defined in section 3121(a) or 3401(a)), and payments of retirement income which have been disclosed to the Social Security Administration as provided by paragraph (1) or (5) of this subsection—

(i) upon request, to officers and employees of the Department of Agriculture, and

(ii) upon written request, to officers and employees of a State food stamp agency.

(B) RESTRICTION ON DISCLOSURE.—The Commissioner of Social Security shall disclose return information under subparagraph (A) only for purposes of, and to the extent necessary in, determining an individual's eligibility for benefits, or the amounts of benefits, under the food stamp program established under the Food Stamp Act of 1977.

(C) STATE FOOD STAMP AGENCY.—For purposes of this paragraph, the term "State food stamp agency" means any agency described in section 3(n)(1) of the Food Stamp Act

of 1977 which administers the food stamp program established under such Act.

[(7)] *(8)* DISCLOSURE OF CERTAIN RETURN INFORMATION BY SOCIAL SECURITY ADMINISTRATION TO STATE AND LOCAL CHILD SUPPORT ENFORCEMENT AGENCIES.—

(A) IN GENERAL.—Upon written request, the Commissioner of Social Security shall disclose directly to officers and employees of a State or local child support enforcement agency return information from returns with respect to net earnings from self-employment (as defined in section 1402), wages (as defined in section 3121(a) or 3401(a)), and payments of retirement income which have been disclosed to the Social Security Administration as provided by paragraph (1) or (5) of this subsection.

(B) RESTRICTION ON DISCLOSURE.—The Commissioner of Social Security shall disclose return information under subparagraph (A) only for purposes of, and to the extent necessary in, establishing and collecting child support obligations from, and locating, individuals owing such obligations. For purposes of the preceding sentence, the term "child support obligations" only includes obligations which are being enforced pursuant to a plan described in section 454 of the Social Security Act which has been approved by the Secretary of Health and Human Services under part D of title IV of such Act.

(C) STATE OR LOCAL CHILD SUPPORT ENFORCEMENT AGENCY.—For purposes of this paragraph, the term "State or local child support enforcement agency" means any agency of a State or political subdivision thereof operating pursuant to a plan described in subparagraph (B).

(9) DISCLOSURE OF RETURN INFORMATION WITH RESPECT TO UNEARNED INCOME TO FEDERAL, STATE, AND LOCAL AGENCIES ADMINISTERING CERTAIN PROGRAMS.—

(A) IN GENERAL.—The Secretary may, upon written request, disclose return information with respect to unearned income (including the nature and source thereof) from computerized files of the Internal Revenue Service to any officer or employee of any Federal, State, or local agency administering a program described in subparagraph (C). For purposes of the preceding sentence, the term "unearned income" means any income other than income of a kind described in paragraph (7)(A).

(B) RESTRICTION ON DISCLOSURE.—Information may be disclosed under subparagraph (A) only for purposes of, and to the extent necessary in, determining an individual's eligibility for benefits, or the correct amount of an individual's benefits, under a program described in subparagraph (C).

(C) PROGRAMS TO WHICH PARAGRAPH APPLIES.—The programs described in this subparagraph are programs which provide any of the following benefits:

(i) aid to families with dependent children provided under a State plan approved under part A of title IV of the Social Security Act;

(ii) medical assistance provided under a State plan approved under title XIX of the Social Security Act;

(iii) supplemental security income benefits provided under title XVI of the Social Security Act;

(iv) any benefits provided under a State plan approved under title I, X, XIV, or XVI of the Social Security Act (as those titles apply to Puerto Rico, Guam, and the Virgin Islands); and

(v) assistance provided under the Food Stamp Act of 1977.

* * * * * * *

(p) PROCEDURE AND RECORDKEEPING.—

(1) MANNER, TIME, AND PLACE OF INSPECTIONS.—Requests for the inspection or disclosure of a return or return information and such inspection or disclosure shall be made in such manner and at such time and place as shall be prescribed by the Secretary.

(2) PROCEDURE.—

(A) REPRODUCTION OF RETURNS.—A reproduction or certified reproduction of a return shall, upon written request, be furnished to any person to whom disclosure or inspection of such return is authorized under this section. A reasonable fee may be prescribed for furnishing such reproduction or certified reproduction.

(B) DISCLOSURE OF RETURN INFORMATION.—Return information disclosed to any person under the provisions of this title may be provided in the form of written documents, reproductions of such documents, films or photoimpressions, or electronically produced tapes, disks, or records, or by any other mode or means which the Secretary determines necessary or appropriate. A reasonable fee may be prescribed for furnishing such return information.

(C) USE OF REPRODUCTIONS.—Any reproduction of any return, document, or other matter made in accordance with this paragraph shall have the same legal status as the original, and any such reproduction shall, if properly authenticated, be admissible in evidence in any judicial or administrative proceeding as if it were the original, whether or not the original is in existence.

(3) RECORDS OF INSPECTION AND DISCLOSURE.—

(A) SYSTEM OF RECORDKEEPING.—Except as otherwise provided by this paragraph, the Secretary shall maintain a permanent system of standardized records or accountings of all requests for inspection or disclosure of returns and return information (including the reasons for and dates of such requests) and of returns and return information inspected or disclosed under this section. Notwithstanding the provisions of section 552a(c) of title 5, United States Code, the Secretary shall not be required to maintain a record or accounting of requests for inspection or disclosure of returns and return information, or of returns and return information inspected or disclosed under the authority of subsections (c), (e), (h)(1), (3)(A), or (4), (i)(4) or

(7)(A)(ii), (k) (1), (2), or (6), (l)(1), (4)(B), [(5), or (7)] *(5), (7), (8), or (9)*, (m), or (n). The records or accountings required to be maintained under this paragraph shall be available for examination by the Joint Committee on Taxation or the Chief of Staff of such joint committee. Such record or accounting shall also be available for examination by such person or persons as may be, but only to the extent, authorized to make such examination under section 552a(c)(3) of title 5, United States Code.

(B) REPORT BY THE SECRETARY.—The Secretary shall, within 90 days after the close of each calendar year, furnish to the Joint Committee on Taxation a report with respect to, or summary of, the records or accountings described in subparagraph (A) in such form and containing such information as such joint committee or the Chief of Staff of such joint committee may designate. Such report or summary shall not, however, include a record or accounting of any request by the President under subsection (g) for, or the disclosure in response to such request of, any return or return information with respect to any individual who, at the time of such request, was an officer or employee of the executive branch of the Federal Government. Such report or summary, or any part thereof, may be disclosed by such joint committee to such persons and for such purposes as the joint committee may, by record vote of a majority of the members of the joint committee, determine.

(C) PUBLIC REPORT ON DISCLOSURES.—The Secretary shall, within 90 days after the close of each calendar year, furnish to the Joint Committee on Taxation for disclosure to the public a report with respect to the records or accountings described in subparagraph (A) which—

(i) provides with respect to each Federal agency, each agency, body, or commission described in subsection (d), (i)(3)(B)(i), or (l)(6), and the General Accounting Office the number of—

(I) requests for disclosure of returns and return information,

(II) instances in which returns and return information were disclosed pursuant to such requests or otherwise,

(III) taxpayers whose returns, or return information with respect to whom, were disclosed pursuant to such requests, and

(ii) describes the general purposes for which such requests were made.

(4) SAFEGUARDS.—Any Federal agency described in subsection (h)(2), (h)(6), (i)(1), (2), (3), or (5), (j)(1) or (2), (l)(1), (2), (3), or (5), or (o)(1), the General Accounting Office, or any agency, body, or commission described in subsection (d), (i)(3)(B)(i), or (l)(6), [or (7)] *(7), (8), or (9)* shall, as a condition for receiving returns or return information—

(A) establish and maintain, to the satisfaction of the Secretary, a permanent system of standardized records with

respect to any request, the reason for such request, and the date of such request made by or of it and any disclosure of return or return information made by or to it;

(B) establish and maintain, to the satisfaction of the Secretary, a secure area or place in which such returns or return information shall be stored;

(C) restrict, to the satisfaction of the Secretary, access to the returns or return information only to persons whose duties or responsibilities require access and to whom disclosure may be made under the provisions of this title;

(D) provide such other safeguards which the Secretary determines (and which he prescribes in regulations) to be necessary or appropriate to protect the confidentiality of the returns or return information;

(E) furnish a report to the Secretary, at such time and containing such information as the Secretary may prescribe, which describes the procedures established and utilized by such agency, body, or commission or the General Accounting Office for ensuring the confidentiality of returns and return information required by this paragraph; and

(F) upon completion of use of such returns or return information—

(i) in the case of an agency, body, or commission described in subsection (d), (i)(3)(B)(i), or [(l)(6) or (7)] *(l)(6), (7), (8), or (9),* return to the Secretary such returns or return information (along with any copies made therefrom) or make such returns or return information undisclosable in any manner and furnish a written report to the Secretary describing such manner; and

(ii) in the case of an agency described in subsections (h)(2), (h)(6), (i)(1), (2), (3), or (5), (j)(1) or (2), (l)(1), (2), (3), or (5), or (o)(1), or the General Accounting Office, either—

(I) return to the Secretary such returns or return information (along with any copies made therefrom),

(II) otherwise make such returns or return information undisclosable, or

(III) to the extent not so returned or made undisclosable, ensure that the conditions of subparagraphs (A), (B), (C), (D), and (E) of this paragraph continue to be met with respect to such returns or return information,

except that the conditions of subparagraphs (A), (B), (C), (D), and (E) shall cease to apply with respect to any return or return information if, and to the extent that, such return or return information is disclosed in the course of any judicial or administrative proceeding and made a part of the public record thereof. If the Secretary determines that any such agency, body, or commission or the General Accounting Office has failed to, or does not, meet the requirements of this paragraph, he may, after any proceedings for review established under

paragraph (7), take such actions as are necessary to ensure such requirements are met, including refusing to disclose returns or return information to such agency, body, or commission or the General Accounting Office until he determines that such requirements have been or will be met. In the case of any agency which receives any mailing address under subsection (m)(2) or (4) and which discloses any such mailing address to any agent, this paragraph shall apply to such agency and each such agent (except that, in the case of an agent, any report to the Secretary or other action with respect to the Secretary shall be made or taken through such agency).

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CHAPTER 75—CRIMES, OTHER OFFENSES, AND FORFEITURES

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Subchapter A—Crimes

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PART I—GENERAL PROVISIONS

* * * * * * *

SEC. 7213. UNAUTHORIZED DISCLOSURE OF INFORMATION.

(a) RETURNS AND RETURN INFORMATION.—

(1) FEDERAL EMPLOYEES AND OTHER PERSONS.—It shall be unlawful for any officer or employee of the United States or any person described in section 6103(n) (or an officer or employee of any such person), or any former officer or employee, willfully to disclose to any person, except as authorized in this title, any return or return information (as defined in section 6103(b)). Any violation of this paragraph shall be a felony punishable upon conviction by a fine in any amount not exceeding $5,000, or imprisonment of not more than 5 years, or both, together with the costs of prosecution, and if such offense is committed by any officer or employee of the United States, he shall, in addition to any other punishment, be dismissed from office or discharge from employment upon conviction for such offense.

(2) STATE AND OTHER EMPLOYEES.—It shall be unlawful for any person (not described in paragraph (1)) willfully to disclose to any person, except as authorized in this title, any return or return information (as defined in section 6103(b)) acquired by him or another person under subsection (d), (i)(3)(B)(i), (l)(6), (7), [or (8),] *(8), or (9),* or (m)(2) or (4) of section 6103. Any violation of this paragraph shall be a felony punishable by a fine in any amount not exceeding $5,000, or imprisonment of not more than 5 years, or both, together with the costs of prosecution.

(3) OTHER PERSONS.—It shall be ulawful for any person to whom any return or return information (as defined in section 6103(b)) is disclosed in an manner unauthorized by this title thereafter willfully to print or publish in any manner not pro-

vided by law any such return or return information. Any violation of this paragraph shall be a felony punishable by a fine in any amount not exceeding $5,000, or imprisonment of not more than 5 years, or both, together with the costs of prosecution.

(4) SOLICITATION.—It shall be unlawful for any person willfully to offer any item of material value in exchange for any return or return information (as defined in section 6103(b)) and to receive as a result of such solicitation any such return or return information. Any violation of this paragraph shall be a felony punishable by a fine in any amount not exceeding $5,000, or imprisonment of not more than 5 years, or both, together with the costs of prosecution.

(5) SHAREHOLDERS.—It shall be unlawful for any person to whom a return or return information (as defined in section 6103(b)) is disclosed pursuant to the provisions of section 6103(e)(1)(D)(iii) willfully to disclose such return or return information in any manner not provided by law. Any violation of this paragraph shall be a felony punishable by a fine in any amount not to exceed $5,000, or imprisonment of not more than 5 years, or both, together with the costs of prosecution.

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SOCIAL SECURITY ACT

* * * * * * *

TITLE IV—GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WELFARE SERVICES

PART A—AID TO FAMILIES WITH DEPENDENT CHILDREN

* * * * * * *

STATE PLANS FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN

SEC. 402. (a) A State plan for aid and services to needy families with children must (1)* * *

* * * * * * *

(7) except as may be otherwise provided in paragraph (8) or (31) and section 415, provide that the State agency—

(A) shall, in determining need, take into consideration any other income and resources of any child or relative claiming aid to families with dependent children, or of any other individual (living in the same home as such child and relative) whose needs the State determines should be considered in determining the need of the child or relative claiming such aid;

(B) shall determine ineligible for aid any family the combined value of whose resources (reduced by any obligations or debts with respect to such resources) exceeds $1,000 or such lower amount as the State may determine, but not in-

cluding as a resource for purposes of this subparagraph *(i)* a home owned and occupied by such child, relative, or other individual and so much of the family member's ownership interest in one automobile as does not exceed such amount as the Secretary may prescribe, *or (ii) under regulations prescribed by the Secretary, burial plots (one for each such child, relative, and other individual), funeral agreements, and real property which the family is making a good-faith effort to sell at a reasonable price and which has not been sold*; and

(C) may, in the case of family claiming or receiving aid under this part for any month, take into consideration as income (to the extent the State determines appropriate, as specified in such plan, and notwithstanding any other provision of law)—

(i) an amount not to exceed the value of the family's monthly allotment of food stamp coupons, to the extent such value duplicates the amount for food included in the maximum amount that would be payable under the State plan to family of the same composition with no other income; and

(ii) an amount not to exceed the value of any rent or housing subsidy provided to such family, to the extent such value duplicates the amount for housing included in the maximum amount that would be payable under the State plan to a family of the same composition with no other income,

(8)(A) provide that, with respect to any month, in making the determination under paragraph (7), the State agency *shall, for purposes of this section, consider an individual's earned income to be the gross amount of his earnings, prior to the taking of payroll or other deductions of any sort, and*—

(i) shall disregard all of the earned income of each dependent child receiving aid to families with dependent children who is (as determined by the State in accordance with standards prescribed by the Secretary) a full-time student or a part-time student who is not a full-time employee attending a school, college, or university, or a course of vocational or technical training designed to fit him for gainful employment;

(ii) shall disregard from the earned income of any child or relative applying for or receiving aid to families with dependent children, or of any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, the first $75 of the total of such earned income for such month [(or such lesser amount as the Secretary may prescribe in the case of an individual not engaged in full-time employment or not employed throughout the month);]

(iii) shall disregard from the earned income of any child, relative, or other individual specified in clause (ii), an amount equal to expenditures for care in such month for a dependent child, or an incapacitated individual living in the same home as the dependent child, receiving aid to

families with dependent children and requiring such care for such month, to the extent that such amount (for each such dependent child or incapacitated individual) does not exceed $160 (or such lesser amount as the Secretary may prescribe in the case of an individual not engaged in full-time employment or not employed throughout the month);

(iv) shall disregard from the earned income of any child or relative receiving aid to families with dependent children, or of any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determinaiton, an amount equal to (*I*) the first $30 of the total of such earned income not disregarded under any other clause of this subparagraph plus (*II*) one-third of the remainder thereof (but excluding, for purposes of this subparagraph, earned income derived from participation on a project maintained under the programs established by section 432(b)(2) and (3)); and

(v) may disregard the income of any dependent child applying for or receiving aid to families with dependent children which is derived from a program carried out under the Job Training Partnership Act (as originally enacted), but only in such amounts, and for such period of time (not to exceed six months with respect to earned income) as the Secretary may provide in regulations; and

(B) provide that (with respect to any month) the State agency—

(i) shall not disregard, under clause (ii), (iii), or (iv) of subparagraph (A), any earned income of any one of the persons specified in subparagraph (A)(ii) if such person—

(I) terminated his employment or reduced his earned income without good cause within such period (of not less than thirty days) preceding such month as may be prescribed by the Secretary;

(II) refused without good cause, within such period preceding such month as may be prescribed by the Secretary, to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after notification by the employer, to be a bona fide offer of employment; or

(III) failed without good cause to make a timely report (as prescribed by the State plan pursuant to paragraph (14)) to the State agency of earned income received in such month; and

(ii)(I) shall not disregard, under subparagraph (A)(iv), any earned income of any of the persons specified in subparagraph (A)(ii), if, with respect to such month, the income of the persons so specified was in excess of their need, as determined by the State agency pursuant to paragraph (7) (without regard to subparagraph (A)(iv) of this paragraph), unless the persons received aid under the plan in one or more of the four months preceding such month

and subparagraph (A)(iv) has not already been applied to their income for four consecutive months while they were receiving aid under the plan; and

(II) in the case of the earned income of a person with respect to whom subparagraph (A)(iv) has been applied for four consecutive months, [shall not apply the provisions of subparagraph (A)(iv)] *shall apply the provisions of subparagraph (A)(iv) as though they did not include clause (II)* for so long as he continues to receive aid under the plan [and shall not apply such provisions] *and shall apply such provisions (as though they did not include such clause (II))* to any month thereafter until the expiration of an additional period of twelve consecutive months during which he is not a recipient of such aid;

(9) provide safeguards which restrict the use of disclosure of information concerning applicants or recipients to purposes directly connected with (A) the administration of the plan of the State approved under this part, the plan or program of the State under part B, C, or D, of this title or under title I, X, XIV, XVI, XIX, or XX, or the supplemental security income program established by title XVI, (B) any investigation, prosecution, or criminal or civil proceeding, conducted in connection with the administration of any such plan or program, (C) the administration of any other Federal of federally assisted program which provides assistance, in cash or in kind, or services, directly to individuals on the basis of need, and (D) any audit or similar activity conducted in connection with the administration of any such plan or program by any governmental entity which is authorized by law to conduct such audit or activity; and the safeguards so provided shall prohibit disclosure, to any committee or legislative body (other than an entity referred to in clause (D) with respect to an activity referred to in such clause), of any information which identifies by name or address any such applicant or recipient; *but such safeguards shall not prevent the State agency or the local agency responsible for the administration of the State plan in the locality (whether or not the State has enacted legislation allowing public access to Federal welfare records) from furnishing a State or local law enforcement officer, upon his request, with the name and current address of any recipient if the officer furnishes the agency with such recipient's social security account number and satisfactorily demonstrates that such recipient is a fugitive felon, that the location or apprehension of such felon is within the officer's official duties, and that the request is made in the proper exercise of those duties*

* * * * * * *

(13) *at the option of the State,* provide that—

(A) except as provided in subparagraph (B), the State agency (i) will determine a family's eligibility for aid for a month on the basis of the family's income, composition, resources, and other similar relevant circumstances during such month, and (ii) will determine the amount of such aid on the basis of the income and other relevant circum-

stances in the first or[, at the option of the State but only where the Secretary determines it to be appropriate,] second month preceding such month; and

(B) in the case of the first month, or [at the option of the State but only where the Secretary determines it to be appropriate,] the first and second months, in a period of consecutive months for which aid is payable, the State agency will determine the amount of aid on the basis of the family's income and other relevant circumstances in such first or second month;

(14)[(A) provide that] *at the option of the State, provide (A) that* the State agency will require each family to which it furnishes aid to families with dependent children (or to which it would provide such aid but for paragraph (22) or (32)) to report, as a condition to the continued receipt of such aid (or to continuing to be deemed to be a recipient of such aid), each month to the State agency on—

(i) the income received, family composition, and other relevant circumstances during the prior month; and

(ii) the income and resources it expects to receive, or any changes in circumstances affecting continued eligibility or benefit amount, that it expects to occur, in that month (or in future months);

— except that [with the prior approval of the Secretary] the State may select categories of recipients who may report at specified less frequent intervals [upon the State's showing to the satisfaction of the Secretary that] *upon a determination that* to require individuals in such categories to report monthly would result in unwarranted expenditures for administration of this paragraph; and

(B) that, in addition to whatever action may be appropriate based on other reports or information received by the State agency, the State agency will take prompt action to adjust the amount of assistance payable, as may be appropriate, on the basis of the information contained in the report (or upon the failure of the family to furnish a timely report), and will give an appropriate explanatory notice, concurrent with its action, to the family;

* * * * * * *

(17) provide that if a person specified in paragraph (8)(A)(i) or (ii) receives in any month an amount of income which, together with all other income for that month not excluded under paragraph (8), exceeds the State's standard of need applicable to the family of which he is a member—

(A) such amount of income shall be considered income to such individual in the month received, and the family of which such person is a member shall be ineligible for aid under the plan for the whole number of months that equals (i) the sum of such amount and all other income received in such month, not excluded under paragraph (8), divided by (ii) the standard of need applicable to such family, and

(B) any income remaining (which amount is less than the applicable monthly standard) shall be treated as income received in the first month following the period of ineligibility specified in subparagraph (A);

except that the State may at its option recalculate the period of ineligibility otherwise determined under subparagraph (A) in any case where (1) changes in family composition, income, resources, or other circumstances (before the end of such period as so determined) have increased the financial need of the family, and (ii) such recalculation would promote the purposes and objectives of this part;

(18) provide that no family shall be eligible for aid under the plan for any month if, for that month, the total income of the family (other than payments under the plan), without application of paragraph (8), other than paragraph (8)(A)(v), exceeds [150 percent of the State's standard of need] for a family of the same composition;

(19) provide—

(A) that every individual, as a condition of eligibility for aid under this part, shall register for manpower services, training, employment, and other employment-related activities (including employment search, not to exceed eight weeks in total in each year) with the Secretary of Labor as provided by regulations issued by him, unless such individual is—

(i) a child who is under age 16 or attending, full-time, an elementary, secondary, or vocational (or technical) school;

(ii) a person who is ill, incapacitated, or of advanced age;

(iii) a person so remote from a work incentive project that his effective participation is precluded;

(iv) a person whose presence in the home is required because of illness or incapacity of another member of the household;

(v) the parent or other relative of a child under the age of six who is personally providing care for the child with only very brief and infrequent absences from the child;

(vi) the parent or other caretaker of a child who is deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent, if another adult relative is in the home and not excluded by clause (i), (ii), (iii), or (iv) of this subparagraph (unless he has failed to register as required by this subparagraph, or has been found by the Secretary of Labor to have refused without good cause to participate under a work incentive program or accept employment as described in subparagraph (F) of this paragraph;

(vii) a person who is working not less than 30 hours per week; [or]

(viii) the parent of a child who is deprived of parental support or care by reason of the unemployment of a parent, if the other parent (who is the principal

earner, as defined in section 407(d)) is not excluded by the preceding clauses of this subparagraph; *or*

(ix) a woman who is pregnant if it has been medically verified that the child is expected to be born in the month in which such registration would otherwise be required or within the 3-month period immediately following such month;

and that any individual referred to in clause (v) shall be advised of his or her option to register, if he or she so desires, pursuant to this paragraph, and shall be informed of the child care services (if any) which will be available to him or her in the event he or she should decide so to register;

(B) that aid to families with dependent children under the plan will not be denied by reason of such registration or the individual's certification to the Secretary of Labor under subparagraph (G) of this paragraph, or by reason of an individual's participation on a project under the program established by section 432(b) (2) or (3);

(C) for arrangements to assure that there will be made a non-Federal contribution to the work incentive programs established by part C by appropriate agencies of the State or private organizations of 10 per centum of the cost of such programs, as specified in section 435(b);

(D) that (i) training incentives authorized under section 434 shall be disregarded in determining the needs of an individual under section 402(a)(7), and (ii) in determining such individual's needs the additional expenses attributable to his participation in a program established by section 432(b) (2) or (3) shall be taken into account;

(F) that if (and for such period as is prescribed under joint regulations of the Secretary and the Secretary of Labor) any child, relative or individual has been found by the Secretary of Labor under section 433(g) to have refused without good cause to participate under a work incentive program established by part C with respect to which the Secretary of Labor has determined his participation is consistent with the purposes of such part C, or to have refused without good cause to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined, after notification by him, to be a bona fide offer of employment—

(i) if the relative makes such refusal, such relative's needs shall not be taken into account in making the determination under clause (7), and aid for any dependent child in the family in the form of payments of the type described in section 406(b)(2) (which in such a case shall be without regard to clauses (A) through (E) thereof) or section 408 [will] *may* be made;

* * * * * * *

(22) provide that the State agency will promptly take all necessary steps to correct any overpayment or underpayment of aid under the State plan, and, in the case of—

(A) an overpayment to an individual who is a current recipient of such aid *(including a current recipient whose overpayment occurred during a prior period of eligibility)*, recovery will be made by repayment by the individual or by reducing the amount of any future aid payable to the family of which he is a member, except that such recovery shall not result in the reduction of aid payable for any month, such that the aid, when added to such family's liquid resources and to its income (without application of paragraph (8)), is less than 90 percent of the amount payable under the State plan to a family of the same composition with no other income (and, in the case of an individual to whom no payment is made for a month solely by reason of recovery of an overpayment, such individual shall be deemed to be a recipient of aid for such month);

(B) an overpayment to any individual who is no longer receiving aid under the plan, recovery shall be made by appropriate action under State law against the income or resources of the individual or the family; and

(C) an underpayment, the corrective payment shall be disregarded in determining the income of the family, and shall be disregarded in determining its resources in the month the corrective payment is made and in the following month;

except that no recovery need be attempted or carried out under subparagraph (B) in any case where (as determined by the State agency in accordance with criteria for determining cost-effectiveness which shall be prescribed by the Secretary in regulations) the cost of recovery would equal or exceed the amount of the overpayment involved;

* * * * * * *

(26) provide that, as a condition of eligibility for aid, each applicant or recipient will be required—

(A) to assign the State any rights to support from any other person such applicant may have (i) in his own behalf or in behalf of any other family member for whom the applicant is applying for or receiving aid, and (ii) which have accrued at the time such assignment is executed,

(B) to cooperate with the State (i) in establishing the paternity of a child born out of wedlock with respect to whom aid is claimed, and (ii) in obtaining support payments for such applicant and for a child with respect to whom such aid is claimed, or in obtaining any other payments or property due such applicant or such child, unless (in either case) such applicant or recipient is found to have good cause for refusing to cooperate as determined by the State agency in accordance with standards prescribed by the Secretary, which standards shall take into consideration the best interests of the child on whose behalf aid is claimed; and that, if the relative with whom a child is

living is found to be ineligible because of failure to comply with the requirements of subparagraphs (A) and (B) of this paragraph, any aid for which such child is eligible [will] *may* be provided in the form of protective payments as described in section 406(b)(2) (without regard to subparagraphs (A) through (E) of such section);

* * * * * * *

(35) at the option of the State, provide—

(A) that as a condition of eligibility for aid under the State plan of any individual claiming such aid who is required to register pursuant to paragraph (19)(A) (or who would be required to register under paragraph (19)(A) but for clause (iii) thereof), including all such individuals or only such groups, types, or classes thereof as the State agency may designate for purposes of this paragraph, such individual will be required to participate in a program of employment search—

(i) beginning at the time he applies for such aid (or an application including his need is filed) and continuing for a period (prescribed by the State) of not more than eight weeks (but this requirement may not be used as a reason for any delay in making a determination of an individual's elibility for aid or in issuing a payment to or in behalf of any individual who is otherwise eligible for such aid); and

(ii) at such time or times after the close of the period prescribed under clause (i) as the State agency may determine but not to exceed a total of 8 weeks in any 12 consecutive months;

(B) that any individual participating in a program of employment search under this paragraph will be furnished such transportation and other services, or paid (in advance or by way of reimbursement) such amounts to cover transportation costs and other expenses reasonably incurred in meeting requirements imposed on him under this paragraph, as may be necessary to enable such individual to participate in such program; and

(C) that, in the case of an individual who fails without good cause to comply with requirements imposed upon him under this paragraph, the sanctions imposed by paragraph (19)(F) shall be applied in the same manner as if the individual had made a refusal of the type which would cause the provisions of such paragraph (19)(F) to be applied (except that the State may at its option, for purposes of this paragraph, reduce the period for which such sanctions would otherwise be in effect); [and]

(36) provide, at the option of the State, that in making the determination for any month under paragraph (7) the State agency shall not include as income any support or maintenance assistance furnished to or on behalf of the family which (as determined under regulations of the Secretary by such State agency as the chief executive officer of the State may designate) is based on need for such support and maintenance,

including assistance received to assist in meeting the costs of home energy (including both heating and cooling), and which is (i) assistance furnished in kind by a private nonprofit agency, or (ii) assistance furnished by a supplier of home heating oil or gas, by an entity whose revenues are primarily derived on a rate-of-return basis regulated by a State or Federal governmental entity, or by a municipal utility providing home energy[.]; *and*

(37) provide that, in any case where a family has ceased to receive aid under the plan because (by reason of paragraph (8)(B)(ii)(II)) the provisions of paragraph (8)(A)(iv) no longer apply, such family will be paid a monthly work transition allowance, in the amount of $10 per month, for a period of 9 months after the last month for which the family received such aid; and the State may at its option continue the payment of such allowances (in such amount) for an additional period of up to 6 months in the case of a family that would be eligible during such additional period to receive aid under the plan (without regard to this paragraph) if such paragraph (8)(A)(iv) applied.

The Secretary may waive any of the requirements imposed under or in connection with paragraphs (13) and (14) of this subsection to the extent necessary to make such requirements compatible with the corresponding reporting and budgeting requirements imposed by the Food Stamp Act of 1977.

* * * * * * *

[(d)(1) For purposes of this part, an individual's "income" shall also include, to the extent and under the circumstances prescribed by the Secretary, an amount (which shall be treated as earned income for purposes of this part) equal to the earned income advance amount (under section 3507(a) of the Internal Revenue Code of 1954) that is (or, upon the filing of an earned income eligibility certificate, would be) payable to such individual.

[(2) In any case in which such advance payments for a taxable year made by all employers to an individual under section 3507 of such Code exceed the amount of such individual's earned income credit allowance under section 43 of such Code for such year, so that such individual is liable under section 43(g) of such Code for a tax equal to such excess, such individual's benefit amount must be appropriately adjusted so as to provide payment to such individual of an amount equal to the amount of the benefits lost by such individual on account of such excess advance payments.]

(d) No amount received by an individual as an earned income tax credit under section 43 of the Internal Revenue Code of 1954, or as an earned income advance amount under section 3507(a) of such Code, shall be included in such individual's income for purposes of this part.

* * * * * * *

PAYMENT TO STATES

SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved

plan for aid and services to needy families with children, for each quarter, beginning with the quarter comencing October 1, 1958—

(1) * * *

* * * * * * *

(5) in the case of any State, an amount equal to 50 per centum of the total amount expended under the State plan during such quarter as emergency assistance to needy families with children.

[No payment shall be made under this subsection with respect to amounts paid to supplement or otherwise increase the amount of aid to families with dependent children found payable in accordance with section 402(a)(13) if such amount] *Amounts paid to supplement or otherwise increase the amount of aid to families with dependent children found payable in accordance with section 402(a)(13) shall be considered amounts expended as aid to families with dependent children under the State plan for purposes of payments under this subsection, even though the amount involved* is determined to have been paid by the State in recognition of the current or anticipated needs of a family (other than with respect to the first or first and second months of eligibility[, but]*; and* any such amount, if determined to have been paid by the State in recognition of the difference between the current or anticipated needs of a family for a month based upon actual income or other relevant circumstances for such month, and the needs of such family for such month based upon income and other relevant circumstances as retrospectively determined under section 402(a)(13)(A)(ii), shall not be considered income within the meaning of section 402(a)(13) for the purpose of determining the amount of aid in the succeeding months.

* * * * * * *

DEFINITIONS

SEC. 406. When used in this part—

(a) * * *

* * * * * * *

(h) Except to the extent otherwise specifically provided, work transition allowances paid by a State under section 402(a)(37) shall be considered payments of aid to families with dependent children under the State plan for all of the purposes of this Act.

(i) To the extent that an overpayment with respect to a family for any period of one or more consecutive months is attributable solely to the ownership or possession by such family or any member thereof during such period of resources having a value in excess of the applicable dollar figure specified in section 402(a)(7)(B), the aggregate amount of such overpayment for all months in such period (notwithstanding any other provision of this subsection) shall be the lesser of (1) the total amount of the benefits under this title which were received by such family for all months in such period, or (2) the greatest amount by which the total value of the resources of such family exceeded such applicable dollar figure at any time during such period. The application of this paragraph to an overpayment with

respect to a family for any period shall not affect the application of section 402(a)(7)(A) to such family for any subsequent period unless this paragraph also applies to an overpayment with respect to such family for such subsequent period.

* * * * * * *

COMMUNITY WORK AND TRAINING PROGRAMS

Sec. 409. (a)(1) Any State which chooses to do so may establish a community work experience program in accordance with this section. The purpose of the community work experience program is to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them to move into regular employment. Community work experience programs shall be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment. The facilities of the State public employment offices may be utilized to find employment opportunties for recipients under this program. Community work experience programs shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. To the extent possible, the prior training, experience, and skills of a recipient shall be utilized in making appropriate work experience assignments. A community work experience program established under this section shall provide—

(A) appropriate standards for health, safety, and other conditions applicable to the performance of work;

(B) that the program does not result in displacement of persons currently employed, or the filling of established unfilled position vacancies;

(C) reasonable conditions of work, taking into account the geographic region, the residence of the participants, and the proficiency of the participants;

(D) that participants will not be required, without their consent, to travel an unreasonable distance from their homes or remain away from their homes overnight;

(E) that the maximum number of hours in any month that a participant may be required to work is that number equals (*i*) the amount of aid payable with respect to the family of which such individual is a member under the State plan approved under this part, *reduced by the amount of any monthly support payments collected on behalf of the family during that month, or (if adequate information with respect to child support collections on behalf of the family during that month is not available) during the most recent month in the preceding two-month period for which such information is available,* divided by (*ii*) the greater of the Federal or the applicable State minimum wage; and

(F) that *(i) except as provided in clause (ii)* provision will be made for transportation and other costs, not in excess of an amount established by the Secretary, reasonably necessary and

directly related to participation in the program, *and (ii) to the extent that the State is unable to provide for the costs involved through the furnishing of services directly to the individuals participating in the program, participants who are recipients of aid under the State's plan approved under section 402 will instead be reimbursed for transportation costs directly related to their participation in the program (in amounts equal to the cost of transportation by the most appropriate means as determined by the State agency), and for day care expenses directly attributable to such participation (in amounts no greater than the comparable maximum day care deduction allowed under section 402(a)(8)(A)(iii) for recipients of aid under the plan generally); and amounts paid as reimbursement to participants under clause (i) or (ii) shall be considered, for purposes of section 403(a), to be expenditures made for the proper and efficient administration of the State's plan approved under section 402.*

* * * * * * *

ATTRIBUTION OF SPONSOR'S INCOME AND RESOURCES TO ALIEN

Sec. 415. (a) * * *

* * * * * * *

(c)(1) [Any individual who is an alien shall, during the period of three years after entry into the United States, in order to be eligible for aid under a State plan approved under this part, be required to provide] *Any individual who is an alien and whose sponsor was a public or private agency shall be ineligible for aid under a State plan approved under this part during the period of three years after his or her entry into the United States, unless the State agency administering such plan determines that such sponsor either no longer exists or has become unable to meet such individual's needs; and such determination shall be made by the State agency based upon such criteria as it may specify in the State plan, and upon such documentary evidence as it may therein require. Any such individual, and any other individual who is an alien (as a condition of his or her eligibility for aid under a State plan approved under this part during the period of three years after his or her entry into the United States), shall be required to provide* to the State agency administering such plan such information and documentation with respect to his sponsor as may be necessary in order for the State agency to make any determination required under this section, and to obtain any cooperation from such sponsor necessary for any such determination. Such alien shall also be required to provide to the State agency such information and documentation as it may request and which such alien or his sponsor provided in support of such alien's immigration application.

* * * * * * *

GRANT DIVERSION PROGRAM

SEC. 416. (a) It is the purpose of this section to allow any State which has a plan approved under this part to institute a grant diversion program under which the State, to the extent the State de-

termines it to be appropriate, may make employment (including on-the-job training) available as an alternative to aid otherwise provided under the State plan.

(b)(1) Notwithstanding any other provision of this title, Federal funds may be paid to a State under section 403, subject to the provisions of this section, with respect to expenditures incurred in operating a grant diversion program under this section.

(2) Nothing in this part or part C, or in any State plan approved under this part, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate, whether or not such terms, conditions, and cases are consistent with section 402(a)(19) of part C) a grant diversion program in accordance with this section; and participation by an individual in such a program shall be deemed to satisfy all of the requirements of section 402(a)(19) and part C which are otherwise applicable to such individual.

(3) Notwithstanding section 402(a)(1), a State operating a grant diversion program under this section may operate such program in any or all political subdivisions of the State.

(4) Notwithstanding section 402(a)(8) or any other provision of law, a State operating a grant diversion program under this section may apply subparagraph (A)(iv) of such section with respect to any individual participating in such program (whether or not subparagraph (B)(ii)(II) of such section would otherwise prevent the application of such subparagraph (A)(iv) during the period of such individual's participation in the program).

(c)(1) In operating a grant diversion program under this section a State shall—

> *(A) enter into contracts with public or private employers in the State under which such employers will provide employment (in the form of on-the-job training or otherwise) for eligible individuals over a period (in the case of any one such individual) of up to 9 months; and*
>
> *(B) pay to each such employer with respect to each individual so employed an amount equal to the lesser of (i) the maximum amount that could have been paid directly to such individual or the family of which he or she is a member as aid to families with dependent children under the State plan, at the time of his or her initial placement in a job under the program, if such individual or family had no income, or (ii) 50 percent of the wages paid to such individual for his or her employment under the program.*

The determination of the particular employers and job positions to be included in the program shall be entirely within the discretion of the State.

(2) For purposes of this section, an individual is an "eligible individual" if he or she is eligible to receive aid under the State plan (without regard to this section) at the time of his or her initial placement in a job under the program.

(d) Payments by a State to employers under the program shall be considered amounts expended as aid to families with dependent children under the State plan for purposes of section 403(a).

(e)(1) Any employer participating in the program under this section shall afford employee status to all eligible individuals to whom

such employer provides job positions under such program; but nothing in this section shall be construed as requiring the State or local agency administering the grant diversion program to provide employee status to any participant unless such State or local agency is the employer of such participant.

(2) Wages paid under a grant diversion program under this section shall be considered to be earned income for purposes of any provision of law.

(f) Any State which chooses to operate a grant diversion program under this section shall provide that any individual who participates in such program, and any child or relative of such individual (or other individual living in the same houshold as such individual) who would be eligible for aid under the State plan approved under this part, shall be considered to be receiving aid under the State plan approved under this part for purposes of eligibility for medical assistance under the State's plan approved under title XIX.

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TITLE XI—GENERAL PROVISIONS AND PROFESSIONAL STANDARDS REVIEW

PART A—GENERAL PROVISIONS

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VERIFICATION AND USE OF TAX INFORMATION RELATING TO CERTAIN UNEARNED INCOME

Sec. 1130. (a) In order to protect applicants for and recipients of aid under part A of title IV or benefits under title XVI (or under the State plan programs in titles I, X, XIV, and XVI) from the improper usage of information obtained from the Secretary of the Treasury under section 6103(l)(9) of the Internal Revenue Code of 1954 (relating to disclosure of return information to Federal, State, and local agencies administering certain programs), no State, Federal, or local agency receiving such information shall take any action based thereon to reduce, suspend, terminate, or deny aid or benefits to the individual involved until such agency has taken steps to independently verify the information. The verification of any information under the preceding sentence must include (1) verification of the exact amount of the asset or income involved, (2) an evaluation of whether such individual actually has access to such asset or income for his or her own use, and (3) a determination regarding the period or periods when the individual actually had such asset or income.

(b) Each State agency charged with the administration of a State plan approved under part A of title IV, each State agency charged with the administration of a State plan approved under title I, X, XIV, or XVI, and the Secretary with respect to the supplemental security income program under title XVI of this Act, shall request and use any information obtained from the Secretary of the Treasury under section 6103(l)(9) of the Internal Revenue Code of 1954 for purposes of income and eligibility verification in accordance with subsection (a); and the use of such information shall be targeted to

those uses which are most likely to be productive in identifying and preventing ineligibility and incorrect payments.

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PILOT PROJECTS TO DEMONSTRATE THE USE OF INTEGRATED SERVICE DELIVERY SYSTEMS FOR HUMAN SERVICES PROGRAMS

Sec. 1136. (a) In order to develop and demonstrate ways of improving the delivery of services to individuals and families who need them under the various human services programs, by eliminating programmatic fragmentation and thereby assuring that an applicant for services under any one such program will be informed of and have access to all of the services which may be available to him or his family under the other human services programs being carried out in the community involved, any State having an approved plan under part A of title IV may, subject to the provisions of this section, establish and conduct one or more pilot projects to demonstrate the use of integrated service delivery systems for human services programs in that State or in one or more political subdivisions thereof.

(b) The integration of service delivery systems for human services programs in any State or locality under a pilot project established under this section shall involve or include—

(1) the development of a common set of terms for us in all of the human services programs invovled;

(2) the development for each applicant of a single comprehnsive family profile which is suitable for use under all of the human services programs involved;

(3) the establishment and maintenance of a single resources directory by which the citizens of the community involved may be informed of and gain access to the services which are available under all such programs;

(4) the development of a unified budget and budgeting process, and a unified accounting system, with standardized audit procedures;

(5) the implementation of unified planning, needs assessment, and evaluation;

(6) the consolidation of agency locations and related transportation services;

(7) the standardization of procedures for purchasing services from nongovernmental sources;

(8) the creation of communications linkages among agencies to permit the serving of individual and family needs across program and agency lines;

(9) the development, to the maximum extent possible, of uniform application and eligibility determination procedures; and

(10) any other methods, arrangements, and procedures which the Secretary determines are necessary or desirable for, and consistent with, the establishment and operation of an integrated service delivery system.

(c)(1) Any State which desires to establish and conduct a pilot project under this section, after having published a description of the proposed project and invited comments thereon from interested persons in the community or communities which would be affected,

shall submit an application to the Secretary (in such form and containing such information as the Secretary may require) within 6 months after the date of the enactment of this section. The proposed project may be statewide in operation or may be limited to one or more political subdivisions of the State; and the application shall in any event include or be accompanied by satisfactory assurances that the project as proposed would be permitted under applicable State and local law.

(2) The Secretary shall consider all applications and accompanying comments and materials which are submitted under paragraph (1), and, no later than 9 months after the date of the enactment of this section, shall approve no fewer than 3 nor more than 5 of the proposed projects (including one such project to be operated on a statewide basis). In considering and approving such applications the Secretary shall take into account the size and characteristics of the population that would be served by each proposed project, the desirability of wide geographic distribution among the projects, the number and nature of the human services programs which are in active operation in the various communities involved, and such other factors as may tend to indicate whether or not a particular proposed project would provide a useful and effective demonstration of the value of an integrated service delivery system. Each project approved under this paragraph shall be deemed for purposes of this section to begin on the first day of the month following the month in which the application with respect to such project is approved.

(3) The Secretary shall approve any application for a project under this section only after determining that the conduct of such project will not lower or restrict the levels of aid, assistance, benefits, or services, or the income or resource standards, deductions, or exclusions, under any of the human services programs involved, and will not delay the provision of aid, assistance, benefits, or services under any of such programs.

(d)(1) Any State whose application is approved under subsection (c) may submit to the Secretary a request for the waiver of any requirement which would otherwise apply with respect to the proposed project under any of the laws governing the human services programs to be included in the project; and—

(A) if the law involved is within the jurisdiction of the Secretary and authority to grant the waiver involved is otherwise available to the Secretary under this title, title IV, or any other provision of law, the Secretary shall approve such request upon a determination that the waiver is necessary for the project to provide a useful and effective demonstration of the value of an integrated service delivery system; and

(B) if the law involved is within the jursidiction of a Federal agency other than the Department of Health and Human Services and authority to grant the waiver involved is available to the head of such other agency under that law or any other provision of law, the Secretary shall transmit such request (on behalf of the requesting State) to the head of such other agency, who shall approve such request upon a demonstration that the waiver is necessary for the project to provide a useful and effective demonstration of the value of an integrated service delivery system and who shall certify such approval to the Secretary.

(2) If under the law governing any of the human services programs included within a project there are provisions establishing safeguards which limit or restrict the use or disclosure of information (concerning applicants for or recipients of benefits or services) which has been obtained or developed by the agency involved in the conduct of that program, and a waiver of such provisions is granted under paragraph (1) in order to make such information available for purposes of the project—

(A) the State shall provide each applicant for and recipient of aid, assistance, benefits, or services under the proposed integrated service delivery system with a clear and readily comprehensible notice that such information may be disclosed to and used by project personnel, or exchanged with the other agencies having responsibility for human services programs included within the project;

(B) the State shall take such steps as may be necessary to ensure that the information disclosed will be used only for purposes of, and by persons directly connected with, such project; and

(C) the State's application with respect to the project under subsection (c) shall contain or be accompanied by satisfactory assurances that the preceding requirements of this paragraph will be fully complied with.

(e) The Secretary shall from time to time pay to each State which has an approved pilot project under this section, in such manner and according to such schedule as may be agreed upon by the Secretary and such State, amounts equal in the aggregate to—

(1) 90 percent of the costs incurred by such State and its political subdivisions in carrying out such project during the first 18 months after the date on which the project begins,

(2) 80 percent of any such costs incurred during the 12-month period beginning with the nineteenth month after such date, and

(3) 70 percent of any such costs incurred during the 12-month period beginning with the thirty-first month after such date.

(f)(1) For purposes of this section, the term "human services program" includes the program of aid to families with dependent children under part A of title IV, the supplemental security income benefits program under title XVI, the Federal food stamp program, and any other Federal or federally assisted program (other than a program under the Rehabilitation Act of 1973) which provides aid, assistance, or benefits based wholly or partly on need or on income-related qualifications to specified classes or types of individuals or families or which is designed to help in crisis or emergency situations by meeting the basic human needs of individuals or families whose own resources are insufficient for that purpose.

(2) In carrying out this section the Secretary shall regularly consult with the Secretary of Labor, the Secretary of Agriculture, the Secretary of Housing and Urban Development, and the head of any other Federal agency having jurisdiction over or responsibility for one or more human services programs, in order to ensure that the administrative efforts of the various agencies involved are coordinated with respect to all of the pilot projects being carried out under this section.

(g) The Secretary shall require each State which is carrying out a pilot project under this section to submit periodic reports on the progress of such project, giving particular attention to the cost-effectiveness of the integrated service delivery system involved and the extent to which such system is improving the delivery of services. No pilot project under this section shall be conducted for a period of longer than 42 months. The first such report shall be submitted no later than 3 months after the date on which the project begins.

(h) The Secretary shall from time to time submit to the Congress a report on the progress and current status of each of the approved pilot projects under this section. Each such report shall reflect the periodic reports theretofore submitted to the Secretary by the States involved under subsection (g), and shall contain such additional comments, findings, and recommendations with respect to the operation of the program under this section as the Secretary may determine to be appropriate.

(i) As soon as possible after the completion of the pilot projects carried out under this section, the Comptroller General, through the personnel and facilities of the General Accounting Office, shall conduct a full and complete study to determine the extent to which such projects, and the program under this section in general, have contributed to the achievement of the purpose of this section. In conducting such study, the Comptroller General shall give particular attention to the relative cost-effectiveness of the various integrated service delivery systems included among the projects and the extent to which the projects have demonstrated the possibility, through the use of such systems, of improving the delivery of services, increasing management efficiency, and decreasing the number of employees needed to carry out the various human services programs involved. The Comptroller General shall submit to the Congress a full and complete report on the results of such study, together with the Comptroller General's findings and recommendations with respect thereto.

(j) There are authorized to be appropriated, for the four-fiscal-year period beginning with the fiscal year 1985, such sums, not to exceed $8,000,000 in the aggregate, as may be necessary to carry out this section.

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TITLE XVI—SUPPLEMENTAL SECURITY INCOME FOR THE AGED, BLIND, AND DISABLED

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PART A—DETERMINATION OF BENEFITS

ELIGIBILITY FOR AND AMOUNT OF BENEFITS

Definition of Eligible Individual

SEC. 1611. (a)(1) Each aged, blind, or disabled individual who does not have an eligible spouse and—

(A) whose income, other than income excluded pursuant to section 1612(b), is at a rate of not more than $1,752 (or if great-

er, the amount determined under section 1617) for the calendar year 1974 or any calendar year thereafter, and

(B) whose resources, other than resources excluded pursuant to section 1613(a), are not more than (i) in case such individual has a spouse with whom he is living, [$2,250,] *the applicable amount determined under paragraph (3)(A),* or (ii) in case such individual has no spouse with whom he is living, [$1,500,] *the applicable amount determined under paragraph (3)(B),*

shall be an eligible individual for purposes of this title.

(2) Each aged, blind, or disabled individual who has an eligible spouse and—

(A) whose income (together with the income of such spouse), other than income excluded pursuant to section 1612(b), is at a rate of not more than $2,628 (or, if greater, the amount determined under section 1617) for the calendar year 1974, or any calendar year thereafter, and

(B) whose resources (together with the resources of such spouse), other than resources excluded pursuant to section 1613(a), are not more than [$2,250,] *the applicable amount determined under paragraph (3)(A),*

shall be eligible individual for purposes of this title.

(3)(A) The dollar amount referred to in clause (1) of paragraph (1)(B), and in paragraph (2)(B), shall be $2,250 prior to January 1, 1985, and shall increase to $2,400 on January 1, 1985, to $2,550 on January 1, 1986, to $2,700 on January 1, 1987, to $2,850 on January 1, 1988, and to $3,000 on January 1, 1989.

(B) The dollar amount referred to in clause (ii) of paragraph (1)(B), shall be $1,500 prior to January 1, 1985, and shall be increased to $1,600 on January 1, 1985, to $1,700 on January 1, 1986, to $1,800 on January 1, 1987, to $1,900 on January 1, 1988, and to $2,000 on January 1, 1989.

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RESOURCES

Exclusions From Resources

Sec. 1613. (a) In determining the resources of an individual (and his eligible spouse, if any) there shall be excluded—

(1) the home (including the land that appertains thereto);

(2)(A) household goods, personal effects, and an automobile, to the extent that their total value does not exceed such amount as the Secretary determines to be reasonable; and

(B) the value of any burial space (subject to such limits as to size or value as the Secretary may by regulation prescribe) held for the purpose of providing a place for the burial of the individual, his spouse, or any other member of his immediate family;

(3) other property which, as determined in accordance with and subject to limitations prescribed by the Secretary, is so essential to the means of self-support of such individual (and such spouse) as to warrant its exclusion;

(4) such resources of an individual who is blind or disabled and who has a plan for achieving self-support approved by the Secretary, as may be necessary for the fulfillment of such plan;

(5) in the case of Natives of Alaska, shares of stock held in a Regional or a Village Corporation, during the period of twenty years in which such stock is inalienable, as provided in section 7(h) and section 8(c) of the Alaska Native Claims Settlement Act; [and]

(6) assistance referred in section 1612(b)(11) for the 9-month period beginning on the date such funds are received (or for such longer period as the Secretary shall by regulations prescribe in cases where good cause is shown by the individual concerned for extending such period); and, for purposes of this paragraph, the term "assistance" includes interest thereon which is excluded from income under section 1612(b)(12)[.]; *and*

(7) any amount received from the United States (in the form of a retroactive check) which is attributable to underpayments of benefits due for one or more prior months, under this title or title II, to such individual (or spouse) or to any other person whose income is deemed to be included in such individual's (or spouse's) income for purposes of this title; but the application of this paragraph in the case of any such individual (and eligible spouse if any), with respect to any amount so received from the United States, shall be limited to a period of 12 months from the date on which such amount is received, and the retroactive check shall be accompanied by a written notice of this limitation.

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In determining the resources of an individual (or eligible spouse) an insurance policy shall be taken into account only to the extent of its cash surrender value; except that if the total face value of all life insurance policies on any person is $1,500 or less, no part of the value of any such policy shall be taken into account.

ATTRIBUTION OF SPONSOR'S INCOME AND RESOURCES TO ALIENS

SEC. 1621. (a) * * *

(b)(1) * * *

(2) The amount of resources of a sponsor (and his spouse) which shall be deemed to be the resources of an alien for any year shall be determined as follows:

(A) The total amount of the resources (as determined under section 1613) of such sponsor and such sponsor's spouse (if such spouse is living with the sponsor) shall be determined.

(B) The amount determined under subparagraph (A) shall be reduced by an amount equal to (i) [$1,500] *the applicable amount determined under section 1611(a)(3)(B)* in the case of a sponsor who has no spouse with whom he is living, or (ii) [$2,250] *the applicable amount determined under section 1611(a)(3)(A)* in the case of a sponsor who has a spouse with whom he is living.

(C) The resources of such sponsor (and spouse) as determined under subparagraphs (A) and (B) shall be deemed to be re-

sources of such a lien in addition to any resources of such alien.

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PART B—PROCEDURAL AND GENERAL PROVISIONS

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PAYMENTS AND PROCEDURES'

Payment of Benefits

SEC. 1631. (a)(1) * * *

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Overpayments and Underpayments

(b)(1) Whenever the Secretary finds that more or less than the correct amount of benefits has been paid with respect to any individual, proper adjustment or recovery shall, subject to the succeeding provisions of this subsection, be made by appropriate adjustments in future payments to such individual or by recovery from or payment to such individual or his eligible spouse (or by recovery from the estate of either). The Secretary *(A)* shall make such provision as he finds appropriate in the case of payment of more than the correct amount of benefits with respect to an individual with a view to avoiding penalizing such individual or his eligible spouse who was without fault in connection with the overpayment, if adjustment or recovery on account of such overpayment in such case would defeat the purposes of this title, or be against equity or good conscience, or (because of the small amount involved) impede efficient or effective administration of this title[.], *and (B) shall in any event make the adjustment or recovery (in the case of payment of more than the correct amount of benefits), if the individual involved is receiving benefit payments under this title, only through adjustments in future benefit payments, or recovery from the individual or his eligible spouse or both, in amounts which in the aggregate do not exceed (for any month) the lesser of (i) the amount of his or their benefit under this title for that month or (ii) an amount equal to 10 percent of his or their income for that month (including such benefit but excluding any other income excluded pursuant to section 1612(b)), unless fraud was involved on the part of the individual or spouse in connection with the overpayment. The availability (in the case of an individual who has been paid more than the correct amount of benefits) of procedures for adjustment or recovery at a limited rate under clause (B) of the preceding sentence shall not, in and of itself, prevent or restrict the provision (in such case) of more substantial relief under clause (A) of such sentence.*

(2) In any case in which advance payments for a taxable year made by all employers to an individual under section 3507 of the Internal Revenue Code of 1954 (relating to advance payment of earned income credit) exceed the amount of such individual's earned income credit allowable under section 43 of such Code for such year, so that such individual is liable under section 43(g) of

such Code for a tax equal to such excess, the Secretary shall provide for an appropriate adjustment of such individual's benefit amount under this title so as to provide payment to such individual of an amount equal to the amount of such benefits lost by such individual on account of such excess advance payments.

(3) To the extent that an overpayment with respect to an individual (or an individual and his or her spouse) for any period of one or more consecutive months is attributable solely to the ownership or possession by such individual (and spouse if any) of resources having a value in excess of the applicable dollar figure specified in paragraph (1)(B) or (2)(B) of section 1611(a), the aggregate amount of such overpayment for all months in such period (notwithstanding any other provision of this subsection) shall be the lesser of (A) the total amount of the benefits under this title which were received by such individual (and spouse if any) for all months in such period, or (B) the greatest amount by which the total value of the resources of such individual exceeded such applicable dollar figure at any time during such period. The application of this paragraph to an overpayment with respect to an individual (or an individual and his or her spouse) for any period shall not affect the application of paragraph (1)(B) or (2)(B) of section 1611(a) to such individual (and spouse if any) for any subsequent period unless this paragraph also applies to an overpayment with respect to such individual (and spouse if any) for such subsequent period.

[(3)] *(4)* For payments for which adjustments are made by reason of a retroactive payment of benefits under title II, see section 1127.

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SECTION 545 OF THE SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982

SEC. 545. EXCLUSION OF CERTAIN HOME ENERGY ASSISTANCE FROM INCOME UNDER SSI AND AFDC.

(a) Section 1612(b) of the Social Security Act is amended—

(1) by striking out "and" at the end of paragraph (11);

(2) by striking out the period at the end of paragraph (12) and inserting in lieu thereof "; and"; and

(3) by adding at the end thereof the following new paragraph:

(13) any assistance received to assist in meeting the costs of home energy, including both heating and cooling, which (as determined under regulations of the Secretary by such State agency as the chief executive officer of the State may designate) (A) is based on need for such assistance, and (B) is (i) assistance furnished in kind by a private nonprofit agency, or (ii) assistance furnished by a supplier of home heating oil or gas, by an entity providing home energy whose revenues are primarily derived on a rate-of-return basis regulated by a State or Federal governmental entity, or by a municipal utility providing home energy."

(b) Section 402(a) of such Act is amended—

(1) by striking out "and" at the end of paragraph (34);

(2) by striking out the period at the end of paragraph (35) and inserting in lieu thereof "; and"; and

(3) by adding at the end thereof the following new paragraph:

"(36) provide, at the option of the State, that in making the determination for any month under paragraph (7) the State agency shall not include as income any assistance received to assist in meeting the cost of home energy, including both heating and cooling, which (as determined under regulations of the Secretary by such State agency as the chief executive officer of the State may designate) (A) is based on need for such assistance, and (B) is (i) assistance furnished in kind by a private nonprofit agency, or (ii) assistance furnished by a supplier of home heating oil or gas, by an entity whose revenues are primarily derived on a rate-of-return basis regulated by a State or Federal governmental entity, or by a municipal utility providing some energy.".

(c) The amendments made by subsections (a) and (b) shall be effective with respect to home energy assistance received in months beginning on or after the date of the enactment of this Act [and prior to July 1, 1985.].

(d) The Secretary of Health and Human Services shall submit a report to the Congress, prior to April 1, 1985, on the implementation and results of the provisions of sections 1612(b)(13) and 402(a)(36) of the Social Security Act [, including any recommendations with respect to whether such provisions should be extended in the same or modified from or allowed to expire.].

Section 404 of the Social Security Amendments of 1983

DISREGARDING OF EMERGENCY AND OTHER IN-KIND ASSISTANCE PROVIDED BY NONPROFIT ORGANIZATIONS

Sec. 404. (a) Section 1612(b)(13) of the Social Security Act is amended by striking out "any assistance received" and all that follows down through "(B)" and inserting in lieu thereof the following: "any support or maintenance assistance furnished to or on behalf of such individual (and spouse if any) which (as determined under regulations of the Secretary by such State agency as the chief executive officer of the State may designate) is based on need for such support or maintenance, including assistance received to assist in meeting the costs of home energy (including both heating and cooling), and which".

(b) Section 402(a)(36) of such Act is amended by striking out "shall not include as income" and all that follows down through "(B)" and inserting in lieu thereof the following: "shall not include as income any support or maintenance assistance furnished to or on behalf of the family which (as determined under regulations of the Secretary by such State agency as the chief executive officer of the State may designate) is based on need for such support and maintenance, including assistance received to assist in meeting the costs of home energy (including both heating and cooling), and which".

(c) The amendments made by this section shall be effective with respect to months which begin after the month in which this Act is enacted [and end before October 1, 1984.].

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